Securities and Exchange Commission, Washington, D.C. 20549

Annual Report on Form 10-K for the year ended December 31, 1992.
Filed pursuant to Section 13 of the Securities Exchange Act of 1934.
Commission file number 1-10297



# Union Carbide Corporation
# 1992 10-K

Union Carbide Corporation
39 Old Ridgebury Road
Danbury, Connecticut 06817-0001

Tel. (203) 794-2000
State of incorporation: New York
IRS identification number: 06-1255728

**Securities registered pursuant to Section 12(b) of the Act:**

| Class of security: | Registered on: |
|---|---|
| Common Stock ($1 par value) | New York Stock Exchange<br>Midwest Stock Exchange<br>Pacific Stock Exchange |
| Share Purchase Rights Plan | New York Stock Exchange |

**Securities registered pursuant to Section 12(g) of the Act:**
NONE

At February 1, 1993, 133,535,772 shares of common stock were outstanding. Non-affiliates held 133,022,550 of those shares, of which the aggregate market value was $2.295 billion.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ✓ No ___

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

**Documents incorporated by reference:**

Annual report to stockholders for the year ended December 31, 1992 (Parts I and II)
Proxy statement for the annual meeting of stockholders to be held on April 28, 1993 (Parts I and III)

## DEFINITION OF TERMS

See the inside cover page of the 1992 annual report to stockholders. Terms defined there are used herein.

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# Part I

## Item 1. Business

**General**—See pages 6 through 10 of the 1992 annual report to stockholders for information about Union Carbide's business.

Union Carbide Corporation is a holding company with one principal subsidiary, Union Carbide Chemicals and Plastics Company Inc. (formerly named "Union Carbide Corporation.")

On June 30, 1992, the Corporation in a special distribution to stockholders spun off its industrial gases subsidiary, Praxair, Inc.

Union Carbide is now engaged almost exclusively in the chemicals and plastics business. The chemicals and plastics industry, especially the commodity sector, is highly cyclical. Union Carbide is a major producer of certain commodity chemicals, principally ethylene glycol and polyethylene. Consequently, Union Carbide's results are subject to the swings of the cycle in those basic chemicals. In periods of excess industry capacity, such as the present, prices for those basic chemicals are low and margins are narrow. See pages 8 through 10 of the 1992 annual report to stockholders for a further discussion.

Union Carbide does not produce against a backlog of firm orders; production is geared primarily to the level of incoming orders and to projections of future demand. Significant inventories of finished products, work in process and raw materials are maintained to meet delivery requirements of customers and Union Carbide's production schedules.

Union Carbide Corporation was incorporated in 1989 under the laws of the State of New York.

**Raw Materials, Products and Markets**—See information herein and in the 1992 annual report to stockholders on pages 6 through 10. Unless otherwise indicated, the products of Union Carbide are sold principally by its own sales force, directly to customers.

Union Carbide believes it has contracts or commitments for, or readily available sources of, hydrocarbon feedstocks and fuel supplies to meet its anticipated needs in all major product areas. Chemicals & Plastics is dependent in its operations upon the availability of hydrocarbon feedstocks and fuels which are purchased from diverse domestic and international sources, including independent oil and gas producers as well as integrated oil companies.

The availability and price of hydrocarbon feedstocks, energy and finished products are subject to plant interruptions and outages and to market and political conditions in the U.S. and elsewhere. Operations and products at times may be adversely affected by legislation, government regulations, shortages, or international or domestic events.

Union Carbide is not dependent to a significant extent upon a single customer or a few customers.

**Patents; Trademarks; Research and Development**—Union Carbide owns a large number of United States and foreign patents that relate to a wide variety of products and processes, has pending a substantial number of patent applications throughout the world, and is licensed under a number of patents. These patents expire at various times over the next 20 years. Such patents and patent applications in the aggregate are material to Union Carbide's competitive position. No one patent is considered to be material; however, the patent portfolio relating to the UNIPOL polyethylene process technology is, in the aggregate, considered to be material. Union Carbide also has a large number of trademarks. The *UNION CARBIDE, UCAR and UNIPOL* trademarks are material; no other single trademark is material.

Essentially all of Union Carbide's research and development activities are company-sponsored. The principal research and development facilities of Union Carbide are indicated in the discussion of Properties (Item 2) of this Form 10-K report. In addition to the facilities specifically indicated there, product development and process technology laboratories are maintained at some plants. Union Carbide spent $155 million in 1992, $157 million in 1991 and 1990 on company-sponsored research activities for continuing operations to develop new products, processes, or services, or to improve existing ones.

**Environment**—See Costs Relating to Protection of the Environment on pages 15 and 16 of the 1992 annual report to stockholders and Note 19 on page 39 thereof.

**Insurance**—Union Carbide's policy is to obtain public liability insurance coverage at terms and conditions and a price that management considers fair and reasonable. Union Carbide's management believes Union Carbide has public liability insurance in an amount sufficient to meet its current needs in light of pending, threatened, and future litigation and claims. There is no assurance, however, that Union Carbide will not incur losses beyond the limits, or outside the coverage, of its insurance. Such insurance is subject to substantial deductibles.

**Competition**—Each of the major business areas in which Union Carbide participates is highly competitive. In some instances competition comes from manufacturers of the same products as those produced by Union Carbide and in other cases from manufacturers of different products which may serve the same markets as those served by Union Carbide's products. Some of Union Carbide's competitors, such as companies principally engaged in petroleum operations, have more direct access to hydrocarbon feedstocks, and some have greater financial resources than Union Carbide.

There are a number of competitors in each of the businesses in which Union Carbide is active. In some of the individual businesses in which Union Carbide participates there are many competitors; in others there are few. Competition is primarily on price, on product performance and on service to customers.

- Many producers have important industry positions in polyethylene, and Union Carbide is one of the world's largest producers. Other significant producers are Dow Chemical Company, Chevron Corporation, Exxon Corporation, Mobil Corporation, Quantum Chemicals Corporation, Occidental Petroleum Corporation, Phillips Petroleum Company, Saudi Basic Industry Corporation and The British Petroleum Company p.l.c.
- Union Carbide is the world's largest producer of ethylene oxide/glycol and derivatives. Other significant producers include Shell Oil Company, Dow Chemical Company, BASF Aktiengesellschaft, The British Petroleum Company p.l.c., Texaco Inc., Occidental Petroleum Corporation, Hoechst Celanese Corporation, and Saudi Basic Industry Corporation.
- In solvents and coatings materials, Union Carbide has a significant position in many product areas. Other significant producers include Air Products, Hoechst Celanese Corporation, Rohm & Haas Company, Eastman Chemical, a division of Eastman Kodak Company, Shell Oil Company, Exxon Corporation, BASF Aktiengesellschaft and Quantum Chemicals Corporation.
- Union Carbide is a major marketer of petrochemical products throughout the world. Products that the Corporation markets are largely produced in the United States, while competitive products are produced throughout the world.
- Union Carbide participates in a wide range of specialty chemical product/market segments. The competitive position varies widely from one product/market segment to another. Competitors include a number of domestic and foreign companies, both diversified and specialized.

Union Carbide's international operations face competition from local producers and global competitors and a number of other risks inherent in carrying on business outside the United States, including risks of nationalization, expropriation, restrictive action by local governments and changes in currency exchange rates.

## Item 2. Properties

The Corporation's headquarters are located in Danbury, Connecticut.

In management's opinion, current facilities, together with planned expansions, will provide adequate production capacity to meet Union Carbide's planned business activities. Capital expenditures are discussed on pages 17 and 21 of the 1992 annual report to stockholders.

Listed below are the principal manufacturing facilities operated by Union Carbide worldwide. Research and engineering facilities are noted. Most of the United States and Puerto Rican properties are owned in fee. Union Carbide maintains numerous domestic sales offices and warehouses, substantially all of which are leased premises under relatively short-term leases. All principal international operations' manufacturing properties are owned or held under long-term leases. International operations administrative offices, technical service laboratories, sales offices and warehouses are owned in some instances and held under relatively short-term leases in other instances.

At year-end 1992, 15,075 people were employed worldwide in approximately 50 plants, factories and laboratories around the world.

Principal domestic operations manufacturing facilities and the principal products manufactured there are as follows:

| Location | City | Principal Product(s) |
|---|---|---|
| California | Menlo Park | Biomedical devices |
| California | Torrance | Latexes |
| Georgia | Tucker | Latexes |
| Illinois | Alsip | Latexes |
| Illinois | Bensenville | Printed circuit chemicals |
| Indiana | Indianapolis | Coating and bonding systems |
| Kentucky | Henderson | Dielectric fluid |
| Louisiana | Greensburg | Hydroxyethyl cellulose derivatives |
| Louisiana | Taft | Acrolein and derivatives, acrylic monomers, U.V. curing, cycloaliphatic epoxides, ethylene oxide and glycol, glycol ethers, olefins |
| Louisiana | Taft (Star Plant) | Polyethylene |
| Massachusetts | Acushnet | Precision coating equipment |
| New Jersey | Bound Brook | Coatings resins, polyethylene compounding, recycled plastics |
| New Jersey | Edison | Lanolin derivatives |
| New Jersey | Somerset | Latexes |
| New York | Mamaroneck | Lanolin derivatives |
| Puerto Rico | Bayamon | Latexes |
| Texas | Garland | Latexes |
| Texas | Seadrift | Alkanolamines, ethylene oxide and glycol, glycol ethers, olefins, polyethylene, polypropylene, *TERGITOL* surfactants |

*Chemicals & Plastics (Cont'd)*

| Location | City | Principal Product(s) |
|---|---|---|
| Texas | Texas City | Olefins, organic acids and esters, alcohols, *TERGITOL* surfactants, vinyl acetate, coatings resins |
| Washington | Washougal | Crystal products |
| West Virginia | Institute | *CARBOWAX* polyethylene glycol, hydroxyethyl cellulose, *POLYOX* polyethylene oxide, ketones, *TERGITOL* surfactants, ethylidene norbornene |
| West Virginia | Sistersville | Antifoams and emulsions, organofunctional silanes and silicone surfactants, silicone fluids |
| West Virginia | South Charleston | Alkylalkanolamines, brake fluids, miscellaneous specialty products, *UCON* fluids |
| Wisconsin | Clear Lake | Conformal coating services |

Research and development are carried on at technical centers in Bound Brook, Edison and Somerset, New Jersey; Tarrytown, New York; Cary, North Carolina; Washougal, Washington; Sistersville and South Charleston, West Virginia. Process and design engineering is conducted at the technical center in South Charleston, West Virginia in support of domestic and foreign projects.

Principal international operations manufacturing facilities and the principal products manufactured there are as follows:

| Country | City | Principal Product(s) |
|---|---|---|
| Argentina | Buenos Aires | Silicones |
| Belgium | Antwerp | Hydroxyethyl cellulose, silicone surfactants |
| Belgium | Vilvoorde | Lanolin derivatives |
| Brazil | Aratu | Hydroxyethyl cellulose |
| Brazil | Cubatao | Polyethylene |
| Brazil | Itatiba | Silicones |
| Canada | Boucherville | Molded polyethylene products |
| Canada | Cowansville | Polyethylene film |
| Canada | Montreal East | Ethylene glycol |
| Canada | Orangeville | Polyethylene film |
| Canada | Orillia | Polyethylene film |
| Canada | Prentiss | Ethylene glycol |
| Colombia | Barranquilla | Silicones |
| Dubai, UAE | Jebel Ali Free Trade Zone | Latex |
| Ecuador | Guayaquil | Latex, coatings resins |
| Hong Kong | Kowloon | Latex, silicones, fluxes |
| Indonesia | Jakarta | Latex, silicones |
| Italy | Termoli | Organofunctional silanes |
| Malaysia | Seremban | Latex, silicones |
| People's Republic of China | Guangdong Province | Latex |
| Philippines | Batangas | Latex |
| Singapore | Jurong | Latex, conformal coating services |
| South Korea | Cho'nan | Silicones |

*Chemicals & Plastics (Cont'd)*

| Country | City | Principal Product(s) |
|---|---|---|
| Sri Lanka | Ekala | Latex |
| Thailand | Nonthaburi | Latex, silicones |
| United Kingdom | Northampton | Conformal coatings services |

Research and development are carried on at international operations facilities in Antwerp, Belgium; Montreal East, Canada; Cubatao and Itatiba, Brazil; Versoix, Switzerland and Jurong, Singapore.

## Item 3. Legal Proceedings

See Note 19 of Notes to Financial Statements on page 39 of the 1992 annual report to stockholders.

## Item 4. Submission of Matters to a Vote of Security Holders

The Corporation did not submit any matters to a stockholder vote during the last quarter of 1992.

# Part II

## Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Market and dividend information for the Corporation's common stock is contained on pages 20 and 21 of the 1992 annual report to stockholders. The stock exchanges where the stock is traded are listed on page 43 of the 1992 annual report to stockholders. The declaration of dividends is a business decision made from time to time by the Board of Directors based on the Corporation's earnings and financial condition and other factors the Board considers relevant.

The number of stockholders of record of the Corporation's common stock is contained on page 1 of the 1992 annual report to stockholders.

## Item 6. Selected Financial Data

Information pertaining to consolidated operations is included under the captions "From the Income Statement," and "From the Balance Sheet (At Year-end)", and dividend information is included under the caption "Other Data" in the Selected Financial Data on page 21 of the 1992 annual report to stockholders.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

See the information covered in the 1992 annual report to stockholders on pages 12 through 18.

## Item 8. Financial Statements and Supplementary Data

The consolidated balance sheet of Union Carbide Corporation and subsidiaries at December 31, 1992 and 1991, and the consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1992, together with the report thereon of KPMG Peat Marwick dated February 10, 1993, are contained on pages 22 through 42 of the 1992 annual report to stockholders.

Quarterly income statement data is contained on page 20 of the 1992 annual report to stockholders.

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Union Carbide has not had any disagreements covered by this item with KPMG Peat Marwick, its independent auditors.

## Item 10. Directors and Executive Officers of the Registrant

For background information on the Directors of Union Carbide Corporation whose terms are expected to continue after the annual meeting of stockholders and persons nominated to become Directors, see pages 10 through 13 of the proxy statement for the annual meeting of stockholders to be held on April 28, 1993.

The principal executive officers of the Corporation are as follows. Data is as of March 15, 1993.

| Name | Age | Position | Year First Elected |
|---|---|---|---|
| Robert D. Kennedy | 60 | Chairman of the Board and Chief Executive Officer | 1986 |
| William H. Joyce | 57 | President and Chief Operating Officer | 1993 |
| Joseph S. Byck | 51 | Vice-President | 1991 |
| Joseph E. Geoghan | 55 | Vice-President, General Counsel and Secretary | 1987 |
| Malcolm A. Kessinger | 49 | Vice-President | 1991 |
| Gilbert E. Playford | 45 | Vice-President, Treasurer and Principal Financial Officer | 1991 |
| O. Jules Romary | 62 | Vice-President | 1986 |
| Ronald Van Mynen | 55 | Vice-President | 1992 |
| John K. Wulff | 44 | Vice-President, Controller and Principal Accounting Officer | 1988 |

There are no family relationships between any officers or directors of the Corporation. There is no arrangement or understanding between any officer and any other person pursuant to which the officer was elected an officer. An officer is elected by the Board of Directors to serve until the next annual meeting of stockholders and until his successor is elected and qualified.

The table on the next page gives a summary of the positions held during at least the past five years by each officer whose position or positions with the Corporation or its subsidiaries during the past five years have not been accounted for by the above table. Each of the officers has been employed by the Corporation or a subsidiary of the Corporation for the past five years.

| Name | Position | Years Held |
|---|---|---|
| Robert D. Kennedy | Chairman of the Board and Chief Executive Officer | 1990 to present |
| | Chairman of the Board, President and Chief Executive Officer | 1986 to 1990 |
| | President | 1985 to 1986 |
| William H. Joyce | President and Chief Operating Officer | 1993 to present |
| | Executive Vice-President | 1991 to 1993 |
| | Executive Vice-President, Union Carbide Chemicals and Plastics Company Inc. | 1990 to present |
| | Vice-President | 1990 to 1991 |
| | Vice-President, Union Carbide Chemicals and Plastics Company Inc. | 1989 to 1990 |
| | President, Polyolefins Division | 1985 to 1990 |
| Joseph S. Byck | Vice-President | 1991 to present |
| | Vice-President, Union Carbide Chemicals and Plastics Company Inc. | 1991 to present |
| | Vice-President, Business Development and Planning, Union Carbide Chemicals and Plastics Company Inc. | 1989 to 1991 |
| | Vice-President, Polyolefins Division | 1986 to 1989 |
| Joseph E. Geoghan | Vice-President, General Counsel and Secretary | 1990 to present |
| | Vice-President and General Counsel | 1987 to 1990 |
| | Deputy General Counsel | 1985 to 1987 |
| Malcolm A. Kessinger | Vice-President | 1991 to present |
| | Vice-President – Human Resources, Union Carbide Chemicals and Plastics Company Inc. | 1990 to present |
| | Corporate Director of Human Resources | 1986 to 1990 |
| Gilbert E. Playford | Vice President, Treasurer and Principal Financial Officer | 1992 to present |
| | Vice-President | 1991 to 1992 |
| | Vice-President, Corporate Holdings | 1991 |
| | Vice-President | 1989 to 1991 |
| | Vice-President, Treasurer and Chief Financial Officer, Union Carbide Canada Ltd. | 1988 to 1989 |
| | Vice-President and Treasurer, Union Carbide Canada Ltd. | 1984 to 1988 |
| O. Jules Romary | Vice-President | 1990 to present |
| | Vice-President and Secretary | 1986 to 1990 |
| | Director of Investor Relations | 1984 to 1986 |

| | | |
|---|---|---|
| Ronald Van Mynen | Vice-President | 1992 to present |
| | Vice-President, Health, Safety and Environmental Affairs Union Carbide Chemicals and Plastics Company Inc. | 1985 to present |
| | Corporate Director, Occupational Health and Personnel Safety | 1984 to 1985 |
| John K. Wulff | Vice-President, Controller and Principal Accounting Officer | 1989 to present |
| | Vice-President and Controller | 1988 to 1989 |
| | Deputy Controller | 1987 to 1988 |
| | Partner of Peat Marwick Main & Co. (now KPMG Peat Marwick) | Prior to 1987 |

## Item 11. Executive Compensation

See pages 16 through 22 of the proxy statement for the annual meeting of stockholders to be held on April 28, 1993.

## Item 12. Security Ownership of Certain Beneficial Owners and Management

See pages 23 and 24 of the proxy statement for the annual meeting of stockholders to be held on April 28, 1993.

## Item 13. Certain Relationships and Related Transactions

No reportable transactions in 1992.

# Part IV

## Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) The following documents are filed as part of this report:

1. The consolidated financial statements set forth on pages 22 through 41 and the Independent Auditors' Report set forth on page 42 of the 1992 annual report to stockholders are incorporated by reference in this Form 10-K Annual Report.

2. The following schedules should be read in conjunction with the consolidated financial statements incorporated by reference in Item 8 of this Form 10-K Annual Report. Schedules other than those listed have been omitted because they are not applicable.

| | Page in this Form 10-K Report |
|---|---|
| Amounts Receivable from Related Parties and Underwriters, Promoters, and Employees Other than Related Parties (Schedule II), three years ended December 31, 1992 | 11 |
| Indebtedness of Related Parties – Not Current (Schedule IV), three years ended December 31, 1992 | 11 |
| Property, Plant, and Equipment (Schedule V), three years ended December 31, 1992 | 12 |
| Accumulated Depreciation and Amortization of Property, Plant and Equipment (Schedule VI), three years ended December 31, 1992 | 13 |
| Guarantees of Securities of Other Issuers (Schedule VII), at December 31, 1992 | 14 |
| Valuation and Qualifying Accounts (Schedule VIII), three years ended December 31, 1992 | 14 |
| Short-term Borrowings (Schedule IX), three years ended December 31, 1992 | 15 |
| Supplementary Income Statement Information (Schedule X), three years ended December 31, 1992 | 15 |

3. The Consent and Report of Independent Auditors appears on page 16 of this Annual Report on Form 10-K.

4. Exhibits—See Exhibit Index on pages 18 through 21 for exhibits filed with this Annual Report on Form 10-K.

(b) No reports on Form 8-K were filed for the three months ended December 31, 1992.

## Schedule II—Amounts Receivable from Related Parties and Underwriters, Promoters, and Employees Other Than Related Parties[a]

Union Carbide Corporation and Consolidated Subsidiaries — Thousands of dollars

| | Balance at beginning of period | Additions | Deductions[b] | Balance at end of period |
|---|---|---|---|---|
| Year Ended December 31, 1992 | | | | |
| R. Natarajan[c] | — | $300 | — | $300 |
| Year Ended December 31, 1991 | | | | |
| Y. Takeuchi[d] | $187 | $ — | $187 | $ — |
| Year Ended December 31, 1990 | | | | |
| Y. Takeuchi[d] | $205 | $ — | $ 18 | $187 |

(a) Amounts for 1990 have been restated to reflect the spin-off of Praxair. See Note 2 on page 28 of the 1992 annual report to stockholders.

(b) Represents repayments and translation adjustments.

(c) R. Natarajan is President of Union Carbide Asia Pacific Inc. Mr. Natarajan was granted a non-interest bearing, twenty year loan with monthly repayment to commence January 1994.

(d) Y. Takeuchi is a director of Union Carbide Japan K.K., a subsidiary of the Corporation. Mr. Takeuchi was granted a loan by Union Carbide Japan K.K. with varying interest rates and repayment dates.

## Schedule IV—Indebtedness of Related Parties – Not Current

Union Carbide Corporation and Consolidated Subsidiaries — Millions of dollars

| | Balance at beginning of period | Additions | Deductions | Balance at end of period |
|---|---|---|---|---|
| Year Ended December 31, 1992 | | | | |
| Praxair | $ — | $ — | $ — | $ — |
| Year Ended December 31, 1991 | | | | |
| Praxair | $ 989 | $ 49 | $1,038[a] | $ — |
| Year Ended December 31, 1990 | | | | |
| Praxair | $1,224 | $ — | $ 235 | $989 |

(a) The above represents Praxair debt owed to the Corporation. Prior to its spin-off from the Corporation (see Note 2 on page 28 of the 1992 annual report to stockholders), Praxair obtained third party financing to repay substantially all amounts due to the Corporation. Accordingly, the Corporation classified the amount due from Praxair as a current asset in the Consolidated Balance Sheet.

## Schedule V—Property, Plant and Equipment[a]

Union Carbide Corporation and Consolidated Subsidiaries

| Classification | Balance at beginning of period | Additions at cost[b] | Retirements or sales | Other changes[c] Add (deduct) | Translation adjustments | Balance at end of period |
|---|---|---|---|---|---|---|
| | Millions of dollars, year ended December 31, 1992 | | | | | |
| Land and improvements | $ 295 | $ 13 | $ (3) | $ (4) | $ (2) | $ 299 |
| Buildings | 370 | 15 | (1) | 1 | (3) | 382 |
| Machinery and equipment | 4,432 | 368 | (79) | — | (28) | 4,693 |
| Construction in progress and other | 445 | (37) | — | (49) | (3) | 356 |
| | $5,542 | $ 359 | $ (83) | $ (52) | $ (36) | $5,730 |
| | Millions of dollars, year ended December 31, 1991 | | | | | |
| Land and improvements | $ 274 | $ 15 | $ (2) | $ 8 | $ — | $ 295 |
| Buildings | 348 | 17 | (6) | 11 | — | 370 |
| Machinery and equipment | 4,228 | 261 | (62) | (2) | 7 | 4,432 |
| Construction in progress and other | 368 | 107 | (3) | (23) | (4) | 445 |
| | $5,218 | $ 400 | $ (73) | $ (6) | $ 3 | $5,542 |
| | Millions of dollars, year ended December 31, 1990 | | | | | |
| Land and improvements | $ 269 | $ 11 | $ (1) | $ (5) | $ — | $ 274 |
| Buildings | 341 | 24 | (5) | (14) | 2 | 348 |
| Machinery and equipment | 4,093 | 362 | (50) | (190) | 13 | 4,228 |
| Construction in progress and other | 388 | (16) | — | (4) | — | 368 |
| | $5,091 | $ 381 | $ (56) | $(213) | $ 15 | $5,218 |

(a) Amounts for 1990 have been restated to reflect the spin-off of the Praxair business. See Note 2 on page 28 of the 1992 annual report to stockholders.

(b) Union Carbide's capital expenditures for the years 1988 through 1992 are included in Selected Financial Data on page 21 of the 1992 annual report to stockholders.

(c) All years include additions for acquired companies, certain reclassifications of property and write-downs, and deductions for stock divestitures.

Following is a summary of lives used for calculating depreciation.

| Class of Property | Lives Used |
|---|---|
| Land improvements | 20 years |
| Buildings | 20 to 40 years |
| Machinery and equipment | 10 to 15 years |
| Leasehold improvements | Lease period |

## Schedule VI—Accumulated Depreciation and Amortization of Property, Plant and Equipment[(a)]

Union Carbide Corporation and Consolidated Subsidiaries

| Classification | Balance at beginning of period | Additions Charged to profit and loss | Deductions Retirements or sales | Other changes[(b)] Add (deduct) | Translation adjustments | Balance at end of period |
|---|---|---|---|---|---|---|
| | Millions of dollars, year ended December 31, 1992 | | | | | |
| Land and improvements | $ 134 | $ 9 | $ (1) | $ (1) | $ (1) | $ 140 |
| Buildings | 199 | 10 | (1) | (1) | (1) | 206 |
| Machinery and equipment | 2,698 | 251 | (76) | (25) | (15) | 2,833 |
| Construction in progress and other[(c)] | 12 | 3 | (1) | (2) | — | 12 |
| | $3,043 | $273[(d)] | $ (79) | $ (29) | $ (17) | $3,191 |
| | Millions of dollars, year ended December 31, 1991 | | | | | |
| Land and improvements | $ 128 | $ 8 | $ (1) | $ (1) | $ — | $ 134 |
| Buildings | 188 | 10 | (4) | 5 | — | 199 |
| Machinery and equipment | 2,505 | 244 | (47) | (5) | 1 | 2,698 |
| Construction in progress and other[(c)] | 11 | 4 | (2) | (1) | — | 12 |
| | $2,832 | $266[(d)] | $ (54) | $ (2) | $ 1 | $3,043 |
| | Millions of dollars, year ended December 31, 1990 | | | | | |
| Land and improvements | $ 122 | $ 8 | $ — | $ (2) | $ — | $ 128 |
| Buildings | 190 | 10 | (4) | (9) | 1 | 188 |
| Machinery and equipment | 2,438 | 246 | (47) | (135) | 3 | 2,505 |
| Construction in progress and other[(c)] | 9 | 3 | (1) | — | — | 11 |
| | $2,759 | $267[(d)] | $ (52) | $(146) | $ 4 | $2,832 |

(a) Amounts for 1990 have been restated to reflect the spin-off of Praxair. See Note 2 on page 28 of the 1992 annual report to stockholders.

(b) All years include additions for acquired companies, certain reclassifications of units of property and write-downs, and deductions for stock divestitures.

(c) Consists primarily of the amortization of leaseholds.

(d) Excludes amortization of intangibles of $20 million in 1992, $21 million in 1991 and $11 million in 1990. Beginning in 1990, such amortization has been included in *Depreciation and amortization* in the Consolidated Statement of Income.

## Schedule VII—Guarantees of Securities of Other Issuers

Union Carbide Corporation and Consolidated Subsidiaries

| Name of Issuer of Securities Guaranteed by Person for Which Statement is Filed | Title of Issue of Each Class of Securities Guaranteed | Total Amount Guaranteed and Outstanding(a) |
|---|---|---|
| | | Millions of dollars at December 31, 1992 |
| DCS Capital Corporation | Commercial loans | $41(b) |

(a) See Note 19 of Notes to Financial Statements on page 39 of the 1992 annual report to stockholders. Union Carbide's contingent obligations disclosed in Note 19 include the amounts presented in this schedule.

(b) Represents the portion of the debt of DCS Capital Corporation for which the Corporation is responsible. Such portion is not directly guaranteed by the Corporation but is secured by a cash deficiency agreement that is guaranteed by the Corporation. The annual aggregate amount of interest for which the Corporation is responsible is approximately $4 million.

At December 31, 1992, the Corporation had a contingent obligation with respect to $33 million of pollution abatement facility obligations assumed by purchasers of Union Carbide facilities. This amount has been included in Union Carbide's contingent obligations disclosed in Note 19 of Notes to Financial Statements referred to above.

## Schedule VIII—Valuation and Qualifying Accounts*

Union Carbide Corporation and Consolidated Subsidiaries

| | Balance at beginning of period | Additions Charged to costs and expenses | Deductions Items determined to be uncollectible, less recovery of amounts previously written off | Balance at end of period |
|---|---|---|---|---|
| | | Millions of dollars, year ended December 31, 1992 | | |
| Allowance for doubtful accounts | $10 | $2 | $3 | $ 9 |
| | | Millions of dollars, year ended December 31, 1991 | | |
| Allowance for doubtful accounts | $10 | $2 | $2 | $10 |
| | | Millions of dollars, year ended December 31, 1990 | | |
| Allowance for doubtful accounts | $11 | $1 | $2 | $10 |

*Amounts for 1990 have been restated to reflect the spin-off of Praxair. See Note 2 on page 28 of the 1992 annual report to stockholders.

## Schedule IX—Short-Term Borrowings[a]

Union Carbide Corporation and Consolidated Subsidiaries

| Category of aggregate short-term borrowings | Balance at end of period | Weighted average interest rate | Maximum month-end amount outstanding during the period | Average amount outstanding during the period[b] | Weighted average interest rate during the period[b] |
|---|---|---|---|---|---|
| | Dollar amounts in millions, year ended December 31, 1992 | | | | |
| Bank loans and commercial paper | $324 | 6% | $ 786 | $467 | 5% |
| | Dollar amounts in millions, year ended December 31, 1991 | | | | |
| Bank loans and commercial paper | $606 | 7% | $1,179 | $955 | 7% |
| | Dollar amounts in millions, year ended December 31, 1990 | | | | |
| Bank loans | $446 | 10% | $ 685 | $505 | 10% |

(a) Amounts for 1990 have been restated to reflect the spin-off of Praxair. See Note 2 on page 28 of the 1992 annual report to stockholders.

(b) Based on balances outstanding at the end of each month.

## Schedule X—Supplementary Income Statement Information*

Union Carbide Corporation and Consolidated Subsidiaries

| | Millions of dollars, year ended December 31, | | |
|---|---|---|---|
| | 1992 | 1991 | 1990 |
| Maintenance and repairs | $305 | $323 | $326 |
| Taxes other than income taxes | | | |
| Real and personal property | $ 44 | $ 40 | $ 38 |
| Social security | 60 | 59 | 63 |
| Other taxes | 27 | 28 | 27 |
| | $131 | $127 | $128 |

* Amounts for 1990 have been restated to reflect the spin-off of Praxair. See Note 2 on page 28 of the 1992 annual report to stockholders.

Consent and Report of Independent Auditors

The Board of Directors
Union Carbide Corporation

Under date of February 10, 1993, we reported on the consolidated balance sheets of Union Carbide Corporation and subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1992, as contained on pages 22 through 41 in the 1992 annual report to stockholders. These consolidated financial statements and our report thereon are incorporated by reference in the annual report on Form 10-K for the year 1992. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related financial statement schedules as listed in Item 14(a)2. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, in 1992 the company adopted the provisions of Statement of Financial Accounting Standards (FAS) 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," and FAS 109, "Accounting for Income Taxes."

KPMG PEAT MARWICK

Stamford, Connecticut
February 10, 1993

The Board of Directors
Union Carbide Corporation

We consent to the incorporation by reference in each of the Registration Statements of Union Carbide Corporation on Form S-3 (Nos. 33-26185, 33-30521 and 33-55560), and on Form S-8 (Nos. 2-90419, 33-22125, 33-48788 and 33-38714) of our reports dated February 10, 1993, relating to the consolidated balance sheets of Union Carbide Corporation and subsidiaries as of December 31, 1992 and 1991, and the related consolidated statements of income, stockholders' equity and cash flows and related schedules for each of the years in the three-year period ended December 31, 1992, appearing and incorporated by reference, in the annual report on Form 10-K of Union Carbide Corporation for the year ended December 31, 1992. Our reports refer to changes in accounting principles as described in Note 1 to the consolidated financial statements.

KPMG PEAT MARWICK

Stamford, Connecticut
March 16, 1993

## Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Union Carbide Corporation

March 16, 1993

John K. Wulff
*Vice-President, Controller and Principal Accounting Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Corporation and in the capacities indicated on March 16, 1993.

| | | |
|---|---|---|
| Robert D. Kennedy<br>*Director, Chairman of the Board and Chief Executive Officer* | John J. Creedon<br>*Director* | C. Peter McColough<br>*Director* |
| William H. Joyce<br>*Director, President and Chief Operating Officer* | C. Fred Fetterolf<br>*Director* | Rozanne L. Ridgway<br>*Director* |
| Joseph E. Geoghan<br>*Director, Vice-President, General Counsel and Secretary* | James M. Hester<br>*Director* | William S. Sneath<br>*Director* |
| Gilbert E. Playford<br>*Vice-President, Treasurer and Principal Financial Officer* | Vernon E. Jordan, Jr.<br>*Director* | Russell E. Train<br>*Director* |
| John K. Wulff<br>*Vice-President, Controller and Principal Accounting Officer* | Ronald L. Kuehn, Jr.<br>*Director* | |

## Exhibit Index

**Exhibit No.**

| | |
|---|---|
| 3.1 | Restated Certificate of Incorporation as filed November 16, 1990. |
| 3.2 | By-Laws of the Corporation as amended June 26, 1989 (See Exhibit 3.2 of the Corporation's 1989 Form 10-K). |
| 4.1 | Indenture dated as of August 1, 1992 among the Company, the Corporation and Chemical Bank, Trustee, for debt securities issued and that may be issued (See Exhibit 4.1.1 of the Corporation's Form S-3 filed on December 9, 1992, File No. 33-55560). |
| 4.2 | The Corporation will furnish to the Commission upon request any other debt instrument referred to in item 601(b)(4)(iii)(A) of Regulation S-K. |
| 4.3 | Rights Agreement, dated as of July 26, 1989, as amended and restated as of May 27, 1992, between the Corporation and Chemical Bank (successor to Manufacturers Hanover Trust Company), as Rights Agent (See Exhibit 4(a) of the Corporation's Form 8-A dated July 27, 1989, as amended by Form 8 dated June 1, 1992). |
| 7 | Opinion of Kelley Drye & Warren regarding liquidation preference, dated February 11, 1993. |
| 10.1 | Credit Agreement dated as of April 15, 1992 among the Corporation, the Company, the banks listed therein, Morgan Guaranty Trust Company of New York, Chemical Bank and Credit Suisse, as co-agents, and Chemical Bank, as administrative agent and auction agent (See Exhibit 8 of the Corporation's Form 8-K dated June 12, 1992). |
| 10.2 | Indemnity Agreement dated as of July 25, 1986, between the Corporation and Robert D. Kennedy. The Indemnity Agreement filed with the Commission is substantially identical in all material respects, except as to the parties thereto and dates thereof, with Indemnity Agreements between the Corporation and each other person who is a director or officer of the Corporation. |
| 10.3 | Agreement, dated as of October 2, 1986, among the Company, GAF Corporation, GAF Chemicals Corporation, Jay & Company, Inc., Mayfair Investments, Inc. and Samuel J. Heyman. |
| 10.4 | Transfer Agreement dated as of January 1, 1989 between the Company and Praxair, Inc. ("Praxair") (formerly named "Union Carbide Industrial Gases Inc."), as amended (See Exhibits 10.06, 10.07, 10.08 and 10.09 of Praxair's Form 10 dated March 10, 1992, as amended by Form 8s dated May 22, 1992, June 9, 1992 and June 12, 1992 ("Praxair Form 10")). |
| 10.5 | Transfer Agreement dated as of January 1, 1989 between the Company and Union Carbide Coatings Service Corporation ("UCCS"), as amended (See Exhibits 10.14, 10.15 and 10.16 of Praxair Form 10). |
| 10.6 | Amended and Restated Realignment Indemnification Agreement dated as of June 4, 1992 among the Corporation, the Company, Praxair, UCAR Carbon Company Inc. ("UCAR") and UCCS (See Exhibit 10.23 of Praxair Form 10). |
| 10.7 | Environmental Management, Services and Liabilities Allocation Agreement dated as of January 1, 1990 among the Corporation, the Company, UCAR, Praxair, and UCCS, as amended (See Exhibits 10.13 and 10.22 of Praxair Form 10). |
| 10.8 | Danbury Lease Agreements dated as of January 1, 1989 between the Company and Praxair, as amended (See Exhibit 10.26 of Praxair Form 10). |
| 10.9 | Tax Disaffiliation Agreement dated as of June 4, 1992 between the Corporation and Praxair (See Exhibit 10.20 of Praxair Form 10). |

## Exhibit Index

**Exhibit No.**

| | |
|---|---|
| 10.10 | Employee Benefits Agreement dated as of June 4, 1992 between the Corporation and Praxair (See Exhibit 10.25 of Praxair Form 10). |
| 10.11 | Danbury Lease-Related Services Agreement dated as of June 4, 1992 among the Corporation, the Company and Praxair (See Exhibit 10.24 of Praxair Form 10). |
| 10.12 | Additional Provisions Agreement dated as of June 4, 1992 between the Corporation, the Company, Praxair and UCCS (See Exhibit 10.21 of Praxair Form 10). |
| 10.13.1* | 1984 Union Carbide Stock Option Plan (See Exhibit 10.7.1 of the Corporation's 1991 Form 10-K). |
| 10.13.2* | Resolutions adopted by the Board of Directors of the Corporation on January 22, 1986, with respect to the 1984 Union Carbide Stock Option Plan (See Exhibit 10.7.2 of the Corporation's 1991 Form 10-K). |
| 10.13.3* | Resolutions adopted by the Board of Directors of the Corporation on April 17, 1986, with respect to the 1984 Union Carbide Stock Option Plan (See Exhibit 10.7.3 of the Corporation's 1991 Form 10-K). |
| 10.13.4* | Amendment to the 1984 Union Carbide Stock Option Plan effective June 1, 1989 (See Exhibit 10.9.7 of the Corporation's 1989 Form 10-K). |
| 10.14.1 | 1988 Union Carbide Long-Term Incentive Plan (See Exhibit 10.18 of the Corporation's 1988 Form 10-K). |
| 10.14.2* | Amendment to the 1988 Union Carbide Long-Term Incentive Plan effective June 1, 1989 (See Exhibit 10.16.2 of the Corporation's 1989 Form 10-K). |
| 10.14.3 | Amendment to the 1988 Union Carbide Long-Term Incentive Plan effective August 1, 1989 (See Exhibit 10.16.3 of the Corporation's 1989 Form 10-K). |
| 10.14.4 | Resolutions adopted by the Board of Directors of the Corporation on February 26, 1992 with respect to stock options granted under the 1984 Union Carbide Stock Option Plan and the 1988 Union Carbide Long-Term Incentive Plan. |
| 10.14.5 | Resolutions adopted by the Compensation and Management Development Committee of the Board of Directors of the Corporation on June 30, 1992, with respect to stock options granted under the 1984 Union Carbide Stock Option Plan and the 1988 Union Carbide Long-Term Incentive Plan. |
| 10.15.1 | 1983 Union Carbide Bonus Deferral Program (See Exhibit 10.8.1 of the Corporation's 1991 Form 10-K). |
| 10.15.2 | Amendment to the 1983 Union Carbide Bonus Deferral Program effective January 1, 1992. |
| 10.16.1 | 1984 Union Carbide Cash Bonus Deferral Program (See Exhibit 10.9.1 of the Corporation's 1991 Form 10-K). |
| 10.16.2 | Amendment to the 1984 Union Carbide Cash Bonus Deferral Program effective January 1, 1986 (See Exhibit 10.9.2 of the Corporation's 1991 Form 10-K). |
| 10.16.3 | Amendment to the 1984 Union Carbide Cash Bonus Deferral Program effective January 1, 1992. |

**Exhibit No.**

| | |
|---|---|
| 10.17.1* | Grantor Trust Agreement for the Equalization Benefit Plan for Participants of the Retirement Program Plan for Employees of Union Carbide Corporation and its Participating Subsidiary Companies and the Supplemental Retirement Income Plan (See Exhibit 10.10.1 of the Corporation's 1991 Form 10-K). |
| 10.17.2* | Amendment to Grantor Trust Agreement for the Equalization Benefit Plan for Participants of the Retirement Program Plan for Employees of Union Carbide Corporation and its Participating Subsidiary Companies and the Supplemental Retirement Income Plan (See Exhibit 10.14.2 of the Corporation's 1988 Form 10-K). |
| 10.18* | Equalization Benefit Plan for Participants of the Retirement Program Plan for Employees of Union Carbide Corporation and its Participating Subsidiary Companies (See Exhibit 10.11 of the Corporation's 1991 Form 10-K). |
| 10.19.1* | Supplemental Retirement Income Plan (See Exhibit 10.12.1 of the Corporation's 1991 Form 10-K). |
| 10.19.2* | Amendment to Supplemental Retirement Income Plan effective January 1, 1989 (See Exhibit 10.16.2 of the Corporation's 1988 Form 10-K). |
| 10.20.1 | 1992 Stock Compensation Plan for Non-Employee Directors of Union Carbide Corporation (See Appendix A of the proxy statement for the annual meeting of the stockholders held on April 22, 1992). |
| 10.20.2 | Resolution adopted by the Board of Directors of the Corporation on June 30, 1992 with respect to the 1992 Stock Compensation Plan for Non-Employee Directors of Union Carbide Corporation. |
| 10.21 | Severance Compensation Agreement, dated September 26, 1989, between the Corporation and Gilbert E. Playford. The Severance Compensation Agreement filed with the Commission is substantially identical in all material aspects, except as to the parties thereto and dates thereof, with Agreements between the Corporation and the officers and certain other employees of the Corporation (See Exhibit 10.18 of the Corporation's 1989 Form 10-K). |
| 10.22* | Resolution adopted by the Board of Directors of the Corporation on November 30, 1988 with respect to an executive life insurance program for officers and certain other employees (See Exhibit 10.27 of the Corporation's 1988 Form 10-K). |
| 10.23* | 1989 Union Carbide Variable Compensation Plan (See Exhibit 10.17 of the Corporation's 1991 Form 10-K). |
| 10.24.1 | Union Carbide Corporation Benefits Protection Trust (See Exhibit 10.25 of the Corporation's 1989 Form 10-K). |
| 10.24.2 | Amendment to the Union Carbide Corporation Benefits Protection Trust effective October 23, 1991 (See Exhibit 10.18.2 of the Corporation's 1991 Form 10-K). |
| 10.25* | Resolutions adopted by the Board of Directors of the Corporation on February 24, 1988, with respect to the purchase of annuities to cover liabilities of the Corporation under the Equalization Benefit Plan for Participants of the Retirement Program Plan for Employees of Union Carbide Corporation and its Participating Subsidiary Companies and the Supplemental Retirement Income Plan (See Exhibit 10.26 of the Corporation's 1989 Form 10-K). |
| 10.26* | Resolutions adopted by the Board of Directors of the Corporation on June 28, 1989, with respect to the purchase of annuities to cover liabilities of the Corporation under the Supplemental Retirement Income Plan (See Exhibit 10.27 of the Corporation's 1989 Form 10-K). |
| 10.27 | Union Carbide Corporation Non-Employee Directors' Retirement Plan (See Exhibit 10.24 of the Corporation's 1990 Form 10-K). |

## Exhibit Index (Cont.)

**Exhibit No.**

| | |
|---|---|
| 10.28 | Stock Purchase Agreement for Buyback Transaction under the Union Carbide Corporation Employee Stock Ownership Plan. |
| 11 | Computation of Earnings per Share For The Five Years Ended December 31, 1992. |
| 13 | The Corporation's 1992 annual report to stockholders (such report, except for those portions which are expressly referred to in this Form 10-K, is furnished for the information of the Commission and is not deemed "filed" as part of the Form 10-K). |
| 22 | Subsidiaries of the Corporation. |
| 24 | Consent of KPMG Peat Marwick on Page 16. |

* The obligations of the Company hereunder were assumed by the Corporation as of July 1, 1989.

Wherever an exhibit listed above refers to another exhibit or document (e.g., "See Exhibit 6 of...."), that exhibit or document is incorporated herein by such reference.

A copy of any exhibit listed above may be obtained on written request to the Secretary's Department, Union Carbide Corporation, Section E-4, 39 Old Ridgebury Road, Danbury, CT 06817-0001. The charge for furnishing any exhibit is 25 cents per page plus mailing costs.

Union Carbide Corporation Annual Report 1992

## Contents



## Definition of Terms

Unless the context otherwise requires, the terms below refer to the following:

| | |
|---|---|
| **Union Carbide Corporation, Union Carbide, the Corporation, we, our, the company** | Union Carbide Corporation and its consolidated subsidiaries |
| **UCC** | Union Carbide Corporation, the parent company |
| **Domestic** | United States and Puerto Rico |
| **Domestic operations** | Operations of Union Carbide in this area, including exports |
| **International operations** | Operations of Union Carbide in areas of the world other than the United States and Puerto Rico |
| **Chemicals and Plastics** | Worldwide chemicals and plastics businesses of Union Carbide |
| **UCC&P Inc.** | Union Carbide Chemicals and Plastics Company Inc., a wholly owned subsidiary of Union Carbide Corporation |
| **Praxair, Inc., Praxair** | Former worldwide industrial gases and coatings service business of Union Carbide Corporation, spun off to UCC shareholders on June 30, 1992 |

The use of these terms is for convenience of reference only. The consolidated subsidiaries are separate legal entities, which are managed by, and accountable to, their respective Boards of Directors.

**On the Cover:**
Union Carbide is a leading manufacturer of polyethylene, the world's most widely used plastic. Our UNIPOL Process technology is generally regarded as the world's most cost efficient and versatile for producing polyethylene and polypropylene. The UNIPOL Process is employed at the company's Seadrift, Tex., petrochemical complex to make both products.

*Printed on Recycled, Recyclable Paper.*

# Financial Highlights

| Dollar amounts in millions (except per share figures) | 1992[a] | 1991[b] |
|---|---|---|
| **For the Year** | | |
| Net sales | $ 4,872 | $ 4,877 |
| Income (loss) from continuing operations | 119 | (116) |
| Per common share – Primary | 0.76 | (1.06) |
| Cumulative effect of change in accounting principles | (361) | – |
| Per common share – Primary | (2.73) | – |
| Net (loss) – common stockholders | (187) | (28) |
| Per common share – Primary | (1.46) | (0.22) |
| Cash dividends | 114 | 126 |
| Per common share | 0.875 | 1.00 |
| Special distribution of Praxair common stock per common share | 15.875 | – |
| Capital expenditures | 359 | 400 |
| **At Year-End** | | |
| Total assets | $ 4,941 | $ 6,826 |
| Total debt | 1,471 | 2,442 |
| UCC stockholders' equity | 1,238 | 2,239 |
| Per common share | 9.32 | 17.55 |
| Common shares outstanding (thousands) | 132,865 | 127,607 |
| Common stockholders of record | 60,320 | 61,884 |
| Employees | 15,075 | 16,705 |

a) Effective Jan. 1, 1992, the Corporation adopted Statement of Financial Accounting Standards (FAS) 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and FAS 109, "Accounting for Income Taxes."

b) Includes an after-tax special charge of $160 million, or $1.25 per common share, for costs associated with the Corporation's profit improvement program (see Note 5 on page 29).

## TO OUR SHAREHOLDERS:

Of all the headlines of the past year, our favorites, and perhaps yours, were the ones reporting that Union Carbide was the year's best-performing stock on the Dow Jones list of 30 industrials.

By year-end, the combined price of shares of Union Carbide and Praxair, the new name of the industrial gases business spun off to shareholders in June, was about double the price of Union Carbide shares when we announced the spin-off.

The spin-off, well planned and executed, was a major achievement, unlocking value in both companies. Investors and analysts also realized that we meant what we said about streamlining operations and cutting costs. Our employees are doing a splendid job in the face of downsizing and difficult business conditions. They are working long and hard, with great ingenuity, to cut costs, improve productivity and increase the value of your company.

At year-end 1992 – halfway into our four-year, $400 million profit improvement program – we are ahead of schedule, having already achieved more than 75 percent of our goal. (Details are in the Profit Improvement Update that follows this letter.) In fact, cost reductions and other profit improvements accounted for nearly all of Carbide's operating profit during the year.

The accelerated profit improvement program helped to generate a return on invested capital in the trough of the chemical business cycle nearly as high as the average return of past years for the entire cycle. That means we are better prepared to cope with the continuing price pressures of the downturn, and it bodes well for performance when the cycle turns up.

But that won't be for awhile. The year just ended was one of the toughest in memory for much of the chemical industry, and for Union Carbide. A combination of rising raw material costs, industry overcapacity in major product lines and economic recession in much of the industrialized world resulted in weak margins and depressed earnings throughout the year.

By far the greatest external influence on 1992 operating performance was the price pressure resulting from industry overcapacity. Margins for such high-volume products as ethylene glycol and polyethylene, which account for a large share of Carbide's sales and income, fell to record low levels. As the year ended, some price relief seemed possible, but it was clear that the price effects of overcapacity would be with us again in 1993.

For the year, we reported a net loss of $187 million, or $1.46 per share. The loss was due to a noncash, after-tax charge of $361 million, reflecting the cumulative effect of adopting the new accounting standards for postretirement benefits and income taxes. Net income for the year from continuing operations was $119 million, or $0.76 per share. Results also included income of $67 million from discontinued operations, representing the earnings of Praxair, Inc. prior to spin-off.

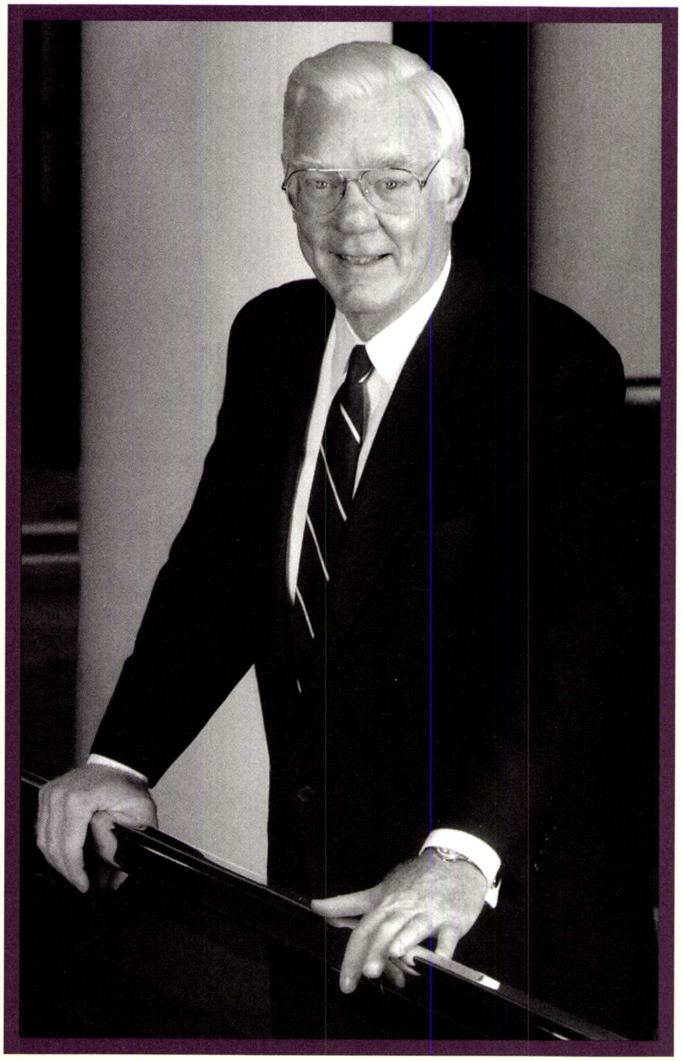
We are sometimes asked why Union Carbide is opting to strengthen its position in basic chemicals, whose earnings rise and fall precipitously with the cycle, when other companies are concentrating on less cyclical specialty chemicals.

Of course, Union Carbide itself has a number of less cyclical businesses that provide a reliable and growing earnings base, namely solvents and coatings, specialty polyolefins, technology licensing and a group of high-quality specialty chemical businesses. But it's the competitive strengths of our high-volume chemicals businesses that have the greatest potential impact on financial performance.

When they are operating at peak efficiency, their process technology leadership and huge size should enable us to outperform our most efficient competitors in good times and bad.

Thus our strategic goal of becoming the low-cost leader in our segment of the industry, and the company that customers most want to deal with, is now very clear. It focused our financial and operating strategy during the year, and helped to reassure customers of our commitment to their long-range product and service needs.

In other developments, we sold more than $160 million in assets on the way to the previously announced $500 million total, the proceeds of which we intend using mainly for debt reduction. Concluding the sale of our OrganoSilicon business is taking somewhat longer than expected. It's a good business that looked even better at year-end, and we will not accept less than full value just to meet an arbitrary deadline.



*Chairman and Chief Executive Officer Robert D. Kennedy*

Praxair's repayment of $1 billion of debt to the Corporation at the time of the spin-off, together with UCC's refinancing and other debt management activities, reduced interest costs by $82 million last year.

With all the progress, I am particularly proud of the work going forward to keep improving Union Carbide's environmental performance.

We are deeply committed to the Chemical Manufacturers Association's RESPONSIBLE CARE initiative, which requires members to show continual and measurable improvement in environmental performance. We encourage stockholders to review our performance against those codes by writing to our Public Affairs Department for a copy of our 1992 RESPONSIBLE CARE Progress Report.

Carbiders are gratified to see the company being described by security analysts as a "turnaround situation." We agree that many good things are happening at our company. In addition to the operating improvements, we are working hard to create a workplace that puts a high premium on excellence, and a workforce that increasingly reflects the diversity of the general population.

We believe these changes mean that employees, and our stockholders and customers, will see Union Carbide continue to grow stronger in 1993 and through the rest of the decade.

Two Board members who have made important contributions to the Corporation will not be standing for reelection. In keeping with the Board's retirement policy, Russell E. Train is retiring after more than 15 years of distinguished service. Dr. Alice M. Rivlin resigned effective Jan. 20, 1993, to take up her duties as Deputy Director of the Office of Management and Budget in the Clinton Administration.

I know the entire Board will miss the experience and wise judgment they brought to our deliberations.

Robert D. Kennedy
February 10, 1993

# Profit Improvement Update II

Our $400 million profit improvement program looks beyond near-term performance to Union Carbide's strategic imperative of becoming the industry's lowest cost producer of key high-volume chemicals, and the preferred supplier in world markets for our products and services.

The program has meant wrenching change for Union Carbide employees, who, whether in staff functions or line operations, are being challenged to find innovative, cost-efficient ways to get the job done while meeting higher-than-ever quality standards. And they are delivering.

Selling, administrative and other expenses are down eight percent compared to 1991 and 19 percent (on a comparable basis excluding accounting changes) since the program was announced in 1990. Total fixed costs are down five percent compared to 1991 and nine percent since 1990. And despite the downward trend in selling prices, sales per employee are up nine percent over the same two-year period.

At the same time, we regard work process improvement as a continuing challenge that, even after we reach our current target, will bring further cost reductions as new initiatives take hold around the Union Carbide system.

The profit improvement initiative is a year ahead of schedule. And we have attained more than 75 percent of our four-year objective in the first two years alone. We now expect to reach our goal by the end of 1993 instead of year-end 1994, as originally planned.

Eliminating work and other costs that don't add value will improve efficiency and productivity, and enable the company to reap the full benefits of its leading-edge technologies and economies of scale.

The profit improvement initiative encompasses nearly a dozen major programs and scores of smaller projects. Together they are simplifying and otherwise improving the way Union Carbide manufactures, sells and distributes its products; manages its inventory; maintains production facilities and manages cash. Each of Union Carbide's major manufacturing sites began by implementing one or more of the programs. Once a program has proved successful at one site, we implement the new techniques and approaches at other sites.

Work process improvements in 1992 led to lower maintenance costs and inventories, more efficient cash management, improved customer service, fewer layers of supervision and improved productivity across the company. The accelerated pace of the program is attributable to employees' commitment to its goals. With new authority to find innovative ways to accomplish work at lower cost, our people are doing more and doing it better, without sacrificing quality or safety, and often without needing supervisors to ratify their decisions.

Not all the $400 million cost-savings target will reach the bottom line. In a period of overcapacity and price pressure, some of the benefits of cost cutting will no doubt go to customers, and there are one-time costs entailed in implementing new programs. Nevertheless, we believe that much of the savings will benefit earnings.

Cost reduction and productivity improvement are now a way of life in all of Union Carbide's businesses. Examples include:

• Industrial Chemicals (ICD) and Solvents and Coatings Materials (S&CM) consolidated nine customer service locations into two new centers in Houston, Tex., near UCC's major production and distribution facilities in Taft, La., and Seadrift and Texas City, Tex. With the aid of new computer software to forecast product demand, customer service has been improved at the same time that staffing, office space, business equipment and other overhead costs have been reduced.

• Maintenance and repairs typically account for upwards of one-third of the fixed costs at a chemical plant. Through its "maintenance excellence" initiative, Union Carbide has set a goal of cutting 15 percent to 20 percent from its annual $300 million maintenance bill while improving safety and production. The initiative entails simplifying work order planning and preparation, giving more responsibility for production to teams of both operating *and* maintenance personnel, and enabling technicians to plan and schedule their own maintenance work without ratification by layers of supervisors.

At the Industrial Chemicals Division's Taft, La., plant, for example, the initiative slashed ongoing maintenance costs by more than 20 percent in 1992. In addition, overtime work dropped by more than 10,000 hours while work backlogs and maintenance paperwork were reduced by 50 percent. Additional savings resulted from implementing the Taft maintenance program at our other sites: Bound Brook, N.J.; South Charleston, W.Va.; and Seadrift and Texas City, Tex.

Maintenance for the Danbury site was reduced by five percent in 1992 through new service and maintenance contracts, office consolidation and more efficient maintenance and security arrangements.

• Improved inventory control in 1992 enabled Union Carbide to reduce its product inventory levels, significantly benefiting cash flow. Polyolefins, for example, reduced inventories by eight percent. Similar efforts by Solvents and Coatings Materials, Industrial Chemicals and Specialty Chemicals resulted in additional savings.

*President and Chief Operating Officer William H. Joyce*

Polyolefins also improved cash flow in 1992 by working with customers to shorten billing cycles.

• Solvents and Coatings Materials' work process improvements led to important cost savings last year, primarily through improved maintenance procedures and consolidations and staff reductions. Selling idle barges and returning some leased rail cars cut rental and maintenance costs. Subcontracting cargo space on the company's Chemical Pioneer tanker vessel, used by both S&CM and ICD, also reduced operating costs. The divisions also benefited from improved loading, scheduling and maintenance procedures for the barge, rail and tank truck fleets.

• Work process improvements enabled Specialty Chemicals to remove layers of management and give more decision-making authority to people closest to markets and manufacturing operations. This led to a 14 percent reduction in its selling, general and administrative expenses in 1992. The division's engineering group reduced costs 20 percent on two major products through an improved design process and more disciplined project implementation. The research and development group substantially reduced support staff while simultaneously increasing productivity. At the division's South Charleston and Institute, W.Va., plants, teams of hourly, supervisory and managerial employees totally redesigned work processes, resulting in lower costs and increased profit margins.

• More than a dozen quality projects at the Seadrift, Tex., facility reduced inventories and improved production and maintenance procedures.

• Polyolefin's Bound Brook, N.J., site reduced costs by cutting in half the time it takes to switch polyethylene compounding operations from one product to another. The site also negotiated new, lower-cost agreements with contractors.

• Consolidation and restructuring of worldwide treasury, credit, tax, audit and accounting functions will reduce annual costs for these activities by more than $25 million by the end of 1993. Further consolidations, work process changes and the introduction of new systems and technology are expected to increase those savings to achieve a targeted 50 percent reduction in costs for finance and related functions compared to 1990 levels.

• Union Carbide affiliates outside the U.S. have also been working on profit improvement initiatives. Our European affiliate took advantage of the easing of trade restrictions to reduce its country/company structure, decrease inventory levels by 10 percent and improve order entry and billing procedures. In particular, our operations in Great Britain reduced staff and cut warehouse and billing costs while still maintaining exemplary sales and service activities.

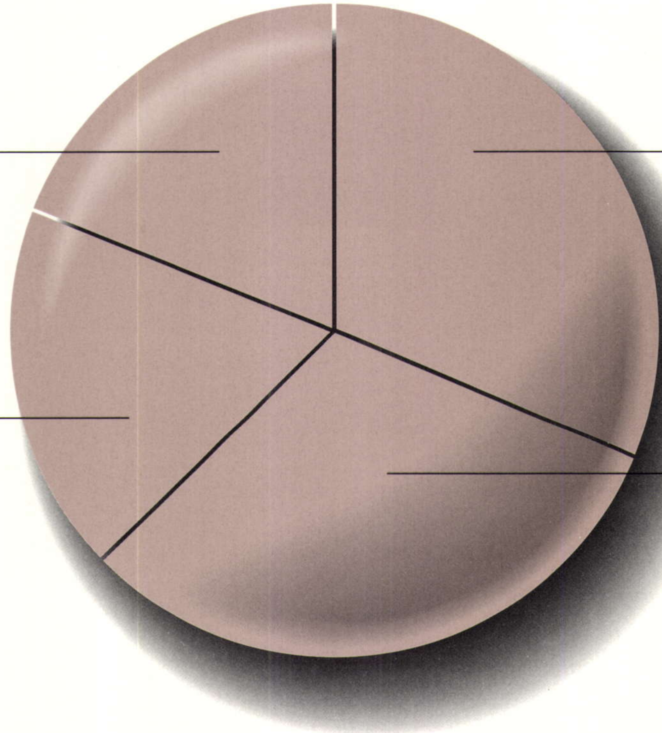
• Even in health and safety communications, the Corporation managed to save by computerizing the printing of product safety labels and standardizing material safety data sheets to help exporters comply with new European regulations.

Union Carbide made great strides last year in implementing work process changes that alter the way the company develops, manufactures, distributes and sells its products. This is driven by employees who are very clear about the close relationship between the company's earnings, its ability to pay dividends and to reinvest in its businesses, and their own compensation and career opportunities.

We're making rapid progress implementing our cost reduction program. When we attain our objective, Union Carbide's infrastructure costs should be comparable with those of the industry's most efficient companies. This will enhance performance of both the cyclical and noncyclical businesses in the company's portfolio, enabling Union Carbide to do more for employees and shareholders and to substantially increase its investment for growth.

W. H. Joyce

William H. Joyce
President and Chief Operating Officer
February 10, 1993




## UNION CARBIDE CORPORATION

*Sales: $4,872 million*

Union Carbide is a basic chemicals company with many of the industry's most advanced process technologies and some of the most efficient large-scale chemical production facilities found anywhere in the world. Union Carbide buys liquefied petroleum gas and naphtha to make ethylene and propylene. Union Carbide then uses state-of-the-art process technologies to convert manufactured and purchased ethylene and propylene into products that include:

- Polyethylene (world's most widely used plastic) for pipe, electrical insulation, wrap, bags, bottles and other products.
- Ethylene oxide/glycol and derivatives for antifreeze, polyester fiber, polyester film, petroleum processing, coatings, lubricants, cosmetics, surfactants and other uses.
- Alcohols for coatings, pharmaceuticals, preservatives, detergents and cosmetics.

In addition, the Corporation makes and buys other materials to produce acrylates and acetic esters for coatings, latexes, packaging and other products. Union Carbide also licenses key olefins-based technologies to others.

From manufactured or purchased chemicals, Union Carbide produces the following specialty chemicals: specialty glycol ethers, polyethylene oxide polymers, polyalkylene glycols, hydroxyethyl cellulose, glucose and lanolin derivatives, alkyl alkanolamines, specialty ketones, acrolein and acrolein derivatives, glutaraldehyde, ethylidene norbornene and polyvinyl acetate. These specialty chemicals are used in the cosmetics, microbiocides, coatings, metalworking, agricultural, automotive, aerospace, oil and gas and industrial lubricant industries.

Union Carbide's products are sold directly by its own sales force and through distributors worldwide, and are shipped by rail, barge, ship, pipeline and truck.

Union Carbide has technology licensing and services businesses in addition to its olefins-chain and specialty chemicals operations.

The leading Union Carbide end markets as a percentage of sales are:

| | |
|---|---|
| • Paints, coatings and adhesives | 28% |
| • Film, molding and extrusion | 17% |
| • Wire and cable | 10% |
| • Household and personal care | 9% |
| • Automotive, including antifreeze | 5% |
| • Textiles | 5% |
| • Agricultural and food products | 4% |
| • Oil and gas | 3% |

## Businesses, Principal Products and Services

### INDUSTRIAL CHEMICALS DIVISION

*Sales: $922 million*

Industrial Chemicals is the world's leading producer of ethylene oxide/glycol and manufactures a broad range of derivatives. The division also produces and acquires ethylene and propylene for its internal derivatives businesses.

**Ethylene Oxide**

• *Primarily a chemical intermediate in the manufacture of ethylene glycol, polyethylene glycol, glycol ethers, ethanolamines, surfactants and antimicrobials.*

**Ethylene Glycol**

• *Used extensively in the production of automotive antifreeze and engine coolants, polyester and a variety of freeze/thaw stabilizers, including UCAR aircraft and runway deicing fluids, and NORKOOL and UCARTHERM heat-transfer fluids.*

**Ethylene Oxide/Glycol Derivatives**

• *Di-, tri-, and tetraethylene glycols* • *CARBOWAX polyethylene glycols* • *Water-soluble polymers with hundreds of uses, from agriculture to wood treatment* • *Ethanolamines for detergents and in natural gas conditioning and refining* • *Ethyleneamines for many industrial uses* • *TERGITOL and TRITON specialty surfactants for detergents and most cleaning products* • *UCAR cement-grinding aids.*

### POLYOLEFINS DIVISION

*Sales: $1,518 million*

Polyolefins is a leading manufacturer of polyethylene, the world's most widely used plastic. The division also licenses Union Carbide UNIPOL Process technology, the most cost-efficient and versatile method of manufacturing polyethylene and polypropylene.

**UNIPOL Polymers**

• *Produces and markets linear low-density polyethylene (LLDPE), medium-density polyethylene (MDPE) and high-density polyethylene (HDPE) used in high-volume applications such as lids, grocery sacks, trash bags and industrial liners* • *TUFLIN high-strength LLDPE film resins* • *UNIVAL HDPE blow-molding resins* • *FLEXOMER very low-density resins for hose and tubing, pond and canal liners and landfill caps.*

• *Processes and markets postconsumer recycled polyethylene and polyethylene terephthalate (PET) under the CURBSIDE BLEND trade name.*

**Specialty Polyolefins**

• *Manufactures and markets worldwide polyolefin-based insulation, semiconducting and jacketing compounds for wire and cable applications, including power distribution, telecommunications and flame-retardant building, transit and shipboard power and control cables.*

**UNIPOL Systems**

• *Licenses UNIPOL Process technology to polyethylene and polypropylene producers worldwide.*

### SOLVENTS & COATINGS MATERIALS DIVISION

*Sales: $1,545 million*

Solvents and Coatings Materials supplies the paint and coatings market with one of the industry's broadest product lines: solvents, resins, intermediates, emulsions and additives. Many of the products are also used widely in cosmetics and personal care preparations, adhesives, household and institutional products, drugs and pharmaceuticals, fuel and lube oil additives and agricultural products.

**Solvents & Intermediates**

• *Acids* • *Alcohols* • *Esters* • *Glycol ethers* • *Ketones* • *Monomers. All bring unique properties to coatings and other formulations.*

**Coatings Resins**

• *UCAR solution vinyl resins* • *TONE caprolacetone-based materials* • *Cycloaliphatic epoxides, including CYRACURE UV-curing products* • *FLEXOL plasticizers (epoxidized soybean and linseed oils and fatty esters).*

**UCAR Emulsion Systems**

• *UCAR latex products, including acrylics for exterior and interior house paints* • *Vinyl acrylics that impart enhanced staining, weather, and scrub resistance to paints* • *Vinyl acetate and acrylics for waterborne coatings.* • *POLYPHOBE thickeners for latex paints.*

**UNICARB Systems**

• *Pollution-reducing supercritical fluid technology for spray-applied coatings.*

### SPECIALTY CHEMICALS DIVISION

*Sales: $887 million*

Specialty Chemicals manufactures and markets a large proportion of Union Carbide's specialty products, both within and outside the olefins chain. The organization targets sharply defined market segments for many of Union Carbide's technologies.

**Specialty Products**

***Specification Chemicals*** – *Acrolein derivatives* • *Ethylidene norbornene (ENB)* • *Alkyl alkanolamines* • *Diethyl ketone* • *Pentanedione* • *Glutaraldehyde.*

***Performance Products*** – *Biocides* • *UCARSOL and SELEXOL solvents for gas treating* • *CANSOLV flue gas desulfurization systems* • *POLYOX water-soluble resins.*

*Ingredients for personal care products are available from Amerchol Corporation, a subsidiary affiliated with Specialty Chemicals.*

*The Organic Coating Systems Group provides materials and systems for printed wiring and circuit boards and produces parylene and ENVIBAR epoxy protective conformal coatings for electronic assemblies.*

***Functional Polymers*** – *CELLOSIZE hydroxethyl cellulose (HEC)* • *UCON fluids and lubricants, including polyvinyl acetate resins, low-profile additives and NEULON polyester modifiers.*

**UOP**

• *UOP is a leading international supplier of process technology, catalysts, molecular sieve adsorbents, process plants and technical services to the petrochemical and gas processing industries. UOP is a partnership with Allied-Signal Inc.*

As the 1992 performance of our Chemicals and Plastics businesses made clear, the chemical business cycle has yet to turn upward. The combination of world overcapacity in major product lines and rising raw material costs kept pressure on margins and earnings throughout the year. Particularly hard hit was Union Carbide's ethylene glycol business, which accounts for a significant portion of the Corporation's total sales. The high-volume polyolefin resins business also suffered from weak pricing and escalating raw material costs.

Yet these are inherently strong businesses that can perform very well as worldwide supply and demand come into better balance. Each has strong market position, a low-cost production base, and excellent technology. Along with a large and profitable solvents and coatings materials business, they are the linchpins of our long-term strategy: to become the most cost-efficient supplier of large-volume chemicals and plastics, whose dedication to quality and service make Union Carbide the supplier of choice around the world.

Operations in 1992 concentrated on strengthening and positioning Union Carbide's high-volume businesses, anticipating strong performance in the upturn. At the same time, the company developed new markets for the products and technologies of its smaller, high-value-added businesses, whose solid performance through the downturn showed further improvement in 1992. And both large and small businesses reduced costs and boosted efficiency by means of sweeping improvements in major work processes (see the Profit Improvement Update on page 4).

## ETHYLENE GLYCOL

Results were depressed in 1992 for ethylene glycol, one of Union Carbide's large-volume businesses. Major contributing factors were competitive pressures from new facilities starting up in Far Eastern markets, poor antifreeze volumes, and a significant increase in feedstock costs in the U.S.

Among positive developments, during the first quarter the company completed the rebuilding of the ethylene oxide/glycol unit damaged in the 1991 Seadrift plant explosion. Also completed during the year was the modernization of the Taft I ethylene oxide/glycol facility at Taft, La., which greatly improved production efficiency while boosting capacity of the unit. With that unit back on stream by the end of the third quarter, Union Carbide regained full use of its oxide/glycol facilities for the first time in a year and a half.

Construction began on a new ethylene glycol plant at Prentiss, Alberta, Canada, primarily to serve fast-growing Far Eastern markets. The facility is owned by a joint venture (Alberta and Orient Glycol Company Limited) of Union Carbide and two Asian companies, Far Eastern Textile Ltd. (Taiwan) and Mitsui & Co. Ltd. (Japan). Scheduled to be on stream in late 1994 in anticipation of tightening supply and demand in the second half of the decade, the 660 million-pounds-per-year facility will be among the most cost effective in the world and will bolster Union Carbide's position as the world leader in ethylene oxide/glycol production, with twice the production capacity of its closest competitor. The plant's state-of-the-art process technology and advantageous raw material supply arrangements are expected to make it more than competitive on a delivered basis with Asian producers.

## ETHYLENE OXIDE DERIVATIVES

Our ethylene oxide derivatives businesses – surfactants, amines, polyethylene glycols, aircraft and runway deicing and antiicing fluids and heat-transfer fluids – all showed improvement over 1991.

Union Carbide's surfactants are used in a broad array of industrial and household applications and specialty cleaners. The business had an excellent year as sales of specialty surfactants grew in North American, European and other world markets. Integration of the TRITON surfactants business (purchased from Rohm and Haas in 1990) continued on schedule. Site preparation began for a new 50 million-pounds-per-year specialty surfactants plant at our South Charleston, W.Va., chemicals complex, with first-stage completion scheduled for 1994.

Union Carbide's CARBOWAX polyethylene glycols (PEGs) business in 1992 recorded noteworthy gains over the previous year. Union Carbide is the largest North American producer of PEGs – water-soluble polymers used as formulating ingredients, chemical intermediates, and processing aids in pharmaceuticals, cosmetics, advanced ceramics and household and industrial products.

Union Carbide is the world's leading producer of ethyleneamines and ethanolamines – products with diverse applications in such value-added markets as oil and gasoline additives, fungicides, polyamide resins, paper wet-strength resins, metalworking fluids and personal care products.

Ethyleneamines volume held up well in 1992, but pricing remained under pressure. Overall, the business showed significant improvement over 1991, aided by highly successful cost-reduction efforts and improved product performance.

Ethanolamines returned to normal operations in 1992 following the prolonged production outages caused by the 1991 Seadrift incident. As a result of normalized operations and favorable market factors, business performance improved significantly.

Union Carbide continued to demonstrate its technology leadership in the aircraft and runway ice-control fluids market with limited commercial introduction of an aircraft anti-icing fluid and development of an improved aircraft deicing fluid slated for commercial introduction early in 1993.

## POLYOLEFINS

In total, Union Carbide's polyolefins business performed well in 1992. Very strong performances by the UNIPOL Process licensing and Wire & Cable Products segments more than offset a sub-par showing by the large-volume resins. We maintained position as a market leader in polyethylene resins despite unfavorable economic conditions and widespread oversupply in the marketplace. Cost reduction and efficiency improvement efforts initiated several years ago during the upswing in the polyethylene business cycle enabled Union Carbide to perform significantly better than in past downturns. Rising raw material costs were partially offset by polyethylene price increases, a more profitable product mix, and cost reductions. Still, overall profitability was disappointing, reflecting very difficult market conditions.

Sales of Union Carbide's premiere high-volume TUFLIN brand linear low-density polyethylene film resins, used for trash bags, packaging film, stretch wrap and agricultural film, grew an impressive 17 percent over 1991. Our FLEXOMER brand polyolefin resins accelerated their penetration of a wide variety of markets, with film applications such as ice and frozen food bags, food packaging, and stretch film posting the most dramatic gains. Sales of FLEXOMER products grew by nearly 50 percent over 1991.

The highlight of the year for our high-density polyethylene business was the introduction of new homopolymer resins with improved taste and odor properties for use in milk, juice and water containers. Last year also saw the commercial introduction of a new family of high-performance, UNIPOL gas-phase, high-molecular-weight, high-density polyethylene resins for the film industry. These products are the first of a versatile family of polyethylenes that can be tailored to provide outstanding toughness while offering desirable processing characteristics. Union Carbide continues to extend the reach of UNIPOL Process technology by pioneering the development and commercialization of new, gas-phase resins and proprietary catalysts.

Nineteen-ninety-two marked the official opening of Union Carbide's plastics recycling plant in Piscataway, N.J. – the first full-scale, multiplastics recycling facility in the U.S. This 55 million-pounds-per-year plant features state-of-the-art equipment to produce Union Carbide's CURBSIDE BLEND brand postconsumer resins.

Wire & Cable Products posted very favorable results for the year and remains the world's leading supplier of polyolefin insulation and jacketing materials to the power and telecommunications industries. Record sales volumes were achieved in 1992 as the domestic market improved after several years of decline, reflecting depressed conditions in the construction industry. Sales to the international market continue strong, reflecting the installation of improved power and telecommunications infrastructures in developing countries. And Union Carbide continued its successful reentry into the West European wire and cable market, with significant sales growth.

Growth also continued in UNIGARD low-smoke, flame-retardant wire and cable compounds, as the trend continues toward materials with improved fire performance in building and electronic applications. Additional compounding facilities are being installed at Union Carbide's Bound Brook, N.J., facility to meet the demand for these products.

UNIPOL Systems continued its winning ways in 1992 with the announcement of five new UNIPOL projects, including three UNIPOL Process polyethylene plants in the People's Republic of China and an integrated UNIPOL Process polyethylene/polypropylene facility in Serang, West Java, Indonesia. In addition, the virtually flawless startup of 11 UNIPOL Process plants in nine countries around the globe occurred last year, the most UNIPOL plants coming on stream in any single year.

Today, 81 UNIPOL reactor lines account for over eight million metric tons annually of linear low-density polyethylene, medium- and high-density polyethylenes, and polypropylene products. More than 60 organizations have signed licenses to produce UNIPOL Process polyethylene and polypropylene.

## SOLVENTS AND COATINGS MATERIALS

Union Carbide's Solvents and Coatings Materials businesses maintained market share and profit margins during the year and, despite intense competitive pressures, significantly improved earnings and cash flow.

A feasibility study completed in 1992 is expected to result in a world-scale expansion of low-pressure oxo process alcohol capacity on the Gulf Coast. This expansion will supplement our Texas City, Tex., site's production of butanol, isobutanol, and 2-ethylhexanol – key oxo products used widely in paints, coatings, plasticizers and other industrial applications. The facility will employ the latest Union Carbide oxo technology. Union Carbide/Davy McKee technology is already used by more than 90 percent of oxo alcohol plants built worldwide since 1977.

In 1992, Union Carbide completed a major restructuring of its world-leading glycol ethers business that was driven by changes in order patterns and fueled by work process improvement procedures. A steady increase in demand occurred last year for diethylene glycol ethers, our CARBITOL brand solvents, prompting changes in product mix at the Taft, La., plant. Through effective use of our flexible production technology, a 20 percent increase in butyl glycol ether capacity was achieved, enabling the company to consolidate production at two plants – Taft, La., and Seadrift, Tex. – and to close units at South Charleston, W.Va., and Montreal, Quebec, Canada. These changes were accomplished with minimal capital outlay.

Union Carbide's coatings resins business achieved significant performance improvement in 1992. Work process changes in several areas led to a more focused product line and streamlined distribution network and enhanced technology development efforts in the solution vinyl resins and peroxymeric chemicals product lines.

UCAR Emulsion Systems, Union Carbide's latex and acrylics unit, successfully brought on stream two new latex plants overseas, one in the People's Republic of China and the other in Dubai, United Arab Emirates. Three other overseas plants were expanded to meet growing product demand in Southeast Asia.

Continued development of UNICARB Systems – Union Carbide's pollution-prevention, supercritical fluid technology for spray-applied coatings – resulted in new installations and evaluations in several applications: wood furniture, plastics, automotive, general industrial and surface-release coatings.

## SPECIALTY PRODUCTS

Our Specialty Products business achieved record earnings in 1992. Sales were up seven percent over 1991, driven primarily by market penetration for the Performance Products group. Manufacturing costs were held constant for the third straight year, and prices were maintained or selectively increased across the product line.

Record production levels were established for Specification Chemicals products, including acrolein derivatives, ethylidene norbornene (ENB), alkyl alkanolamines, diethyl ketone, and pentanedione. A significant expansion of acrolein derivatives capacity was under way at Taft, La., and expansion plans were being developed for a new specialty ketone facility in South Charleston, W.Va.

Sales of Performance Products grew by 13 percent last year. Worldwide market penetration of biocides continued in the paper, water treatment, aluminum hot rolling, kaolin and sugar beet market segments. While the U.S. energy sector was depressed, our UCARSOL and SELEXOL gas-treating products gained ground in international markets, and POLYOX water-soluble resins posted new gains in the pharmaceuticals market. Amerchol Corporation, our personal care subsidiary, also performed well in 1992, recording an 11 percent gain.

The Functional Polymers group showed significant improvement in profitability in 1992, primarily as a result of improvements made in the operating arena and through maintaining or selectively increasing prices. Functional Polymers includes UCON fluids and lubricants used in compressors, fire-resistant fluids and in metalworking industries; CELLOSIZE hydroxyethyl cellulose, used as thickeners for coatings and in oil field applications; and reinforced polymeric materials for molded plastic automobile body panels.

## UOP

UOP, Union Carbide's partnership with AlliedSignal Inc., achieved record sales and earnings despite a continuing widespread downturn in the refining and petrochemical industries, its major markets. Of particular note, UOP licensed the technology that will be used in major new projects in the People's Republic of China, India, the Commonwealth of Independent States (former republics of the U.S.S.R.) and the Middle East, and opened a permanent office in Moscow to strengthen its marketing presence there.

UOP also successfully commercialized three new process technologies and three new catalyst systems during 1992, and unveiled the Pentesom Process, a technology that will help U.S. refiners meet mandated standards for reformulated gasoline.

# Financial Index

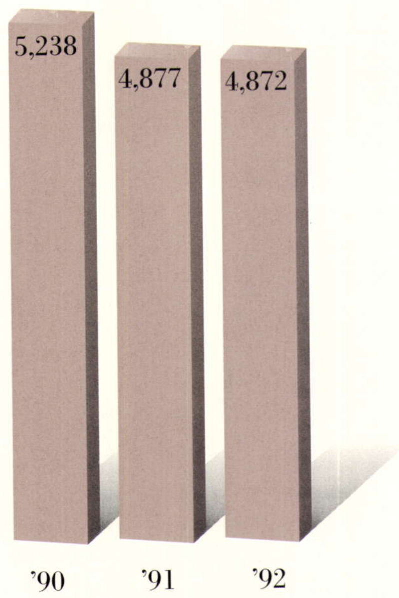
# Management's Discussion and Analysis

On June 30, 1992, the Corporation's industrial gases subsidiary, Praxair, Inc., was spun off to shareholders.

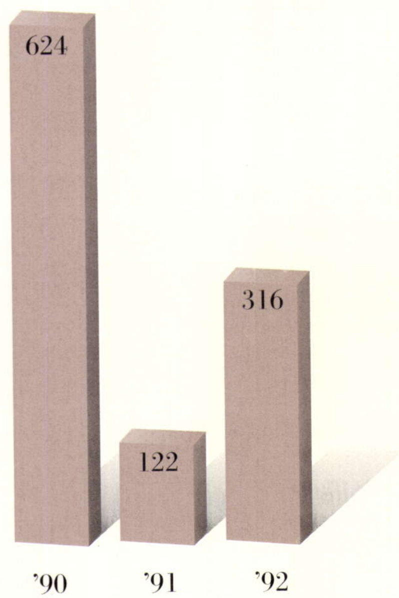
All financial data in this report are presented with Praxair as a discontinued business. Continuing operations include revenues and expenses of Chemicals and Plastics operations, as well as general expenses (income) - net, associated with corporate staff, financing and noncore business activities.

## CONTINUING OPERATIONS

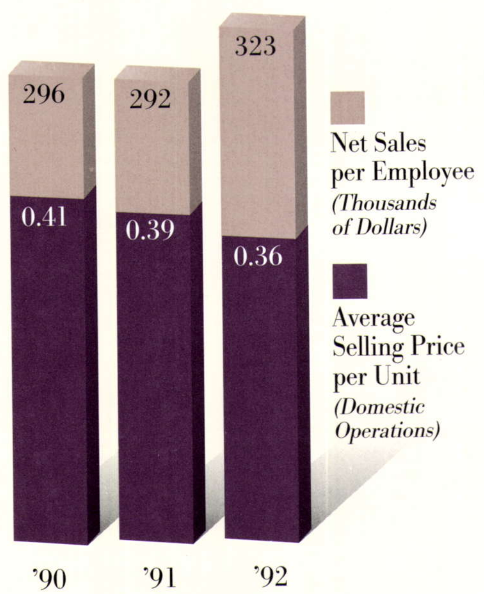
Net Sales
*(Millions of Dollars)*



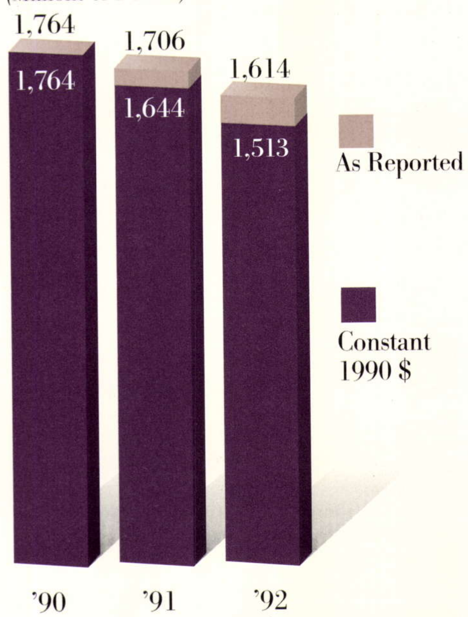

Operating Profit
*(Millions of Dollars)*




Sales per Employee/
Price per Unit Comparison




Fixed Cost Trend
Plant Costs Plus Overheads ex Depreciation
*(Millions of Dollars)*



## Results of Operations

| Dollar amounts in millions (except per share figures) | 1992[a] | 1991[b] | 1990 |
|---|---|---|---|
| Net sales | **$4,872** | $4,877 | $5,238 |
| Operating profit | **316** | 122 | 624 |
| General expenses (income) – net | **(8)** | 41 | (10) |
| Interest expense | **146** | 228 | 269 |
| Pre-tax income (loss) from continuing operations | **178** | (147) | 365 |
| Income (loss) from continuing operations | **119** | (116) | 188 |
| Income from discontinued operations | **67** | 107 | 120 |
| Cumulative effect of change in accounting principles | **(361)** | – | – |
| Net income (loss) – common stockholders | **(187)** | (28) | 308 |
| Per share, primary: | | | |
| Continuing operations | **0.76** | (1.06) | 1.34 |
| Discontinued operations | **0.51** | 0.84 | 0.85 |
| Cumulative effect of change in accounting principles | **(2.73)** | – | – |
| Net income (loss) | **(1.46)** | (0.22) | 2.19 |

a) Effective Jan. 1, 1992, the Corporation adopted FAS 106 and FAS 109.

b) Includes special charges of $209 million, with $130 million related to operating profit and $79 million related to general expenses - net associated with the Corporation's profit improvement program. The total after-tax effect was $160 million (see Note 5 on page 29).

## Summary and Outlook

The Corporation reported income from continuing operations of $119 million in 1992 ($116 million loss in 1991 and $188 million income in 1990).

The slow pace of the economic recovery in the U.S. and the effect of industry expansions in the late 1980's continue to depress the Corporation's operating results. Industry overcapacity has limited the businesses' ability to raise prices sufficiently to offset higher average feedstock prices in 1992. The impact of this variable margin decrease was mitigated by improved volumes and operating efficiencies as well as by fixed manufacturing cost reductions related to the Corporation's profit improvement program. As a result, gross margin increased slightly in 1992 versus 1991. In addition, selling, administrative and other expenses were reduced as a result of a number of overhead cost reduction initiatives undertaken in 1992.

A number of significant actions were completed during the year that enhanced the Corporation's financial and business performance and delivered value to shareholders. These included:

- Completion of the spin-off of Praxair to shareholders.
- Repayment by Praxair of approximately $1 billion in debt to the Corporation. The proceeds were used by the Corporation to reduce its outstanding debt.
- Reduction of annual interest expense from 1991 levels by repaying approximately $1 billion of debt, and refinancing existing long-term debt with debt at lower rates and longer terms.
- Completion of the sale of more than $160 million of non-strategic businesses and assets as part of the $500 million asset divestiture program announced a year ago. At this writing, negotiations continue with several buyers for the Corporation's OrganoSilicon business.
- Continued progress on cost-reduction initiatives in support of the $400 million profit improvement program.

| Dollar amounts in millions | 1992 | 1991 | 1990 |
|---|---|---|---|
| Employees (year-end) | **15,075** | 16,705 | 17,722 |
| Employment costs (wages, benefits, payroll taxes) | **$ 983** | $ 990 | $1,015 |

While the domestic economy is expected to improve slightly in 1993, the chemical industry will continue to face a challenging operating environment. Relatively weak demand aggravated by industry overexpansion will keep pressures on margins until the pace of the recovery picks up in both domestic and overseas economies. In the meantime, the sustained emphasis on internal cost reduction and efficiency improvement programs should continue to mitigate the effect of the weak economy. Cost reductions and improved efficiency, as well as the renewal of our facilities and technologies and the sale of underperforming assets, are intended to enable the Corporation to perform at above average levels throughout the chemical business cycle.

## 1992 Compared with 1991

Sales of $4.872 billion were essentially flat compared to 1991's total of $4.877 billion. The impact of increasing volumes in most product lines, including ethylene glycol and polyethylene, was more than offset by declining prices. Export sales from domestic operations of $560 million were also essentially flat compared to the prior year.

Operating profit for 1992 was $316 million. This included a reduction of $21 million for the effect of adopting FAS 106; a charge of $35 million for additional severance expense associated with the Corporation's ongoing profit improvement program; and income of $25 million from the settlement of a patent infringement case. Operating profit for 1991 totaled $122 million, including $130 million of the $209 million special charge.

While the Corporation's variable margin decreased from 46.1 percent in 1991 to 45.5 percent in 1992, due to higher feedstock costs, gross margin as a percentage of sales increased from 22.7 percent in 1991 to 23.0 percent in 1992, due to lower fixed manufacturing costs. In addition, the Corporation continues to realize overhead cost savings through tight cost controls and work process changes in concert with the profit improvement program. Selling, administrative and other expenses are down 8 percent versus 1991 and 19 percent versus 1990 when adjusted to exclude the impact of the new accounting standard for postretirement benefits.

Income from partnerships was $60 million in 1992, primarily as a result of continued favorable results from UOP, a partnership with Allied-Signal Inc. UOP's strong performance offset losses from Petromont and Company, Limited, our Canadian petrochemical partnership. Results from partnerships in 1991 showed a loss of $22 million, including a $60 million special charge associated with the Corporation's share of the write-down of UOP's fluid cracking catalyst business.

## 1991 Compared with 1990

Sales of $4.877 billion decreased seven percent from 1990. Overall selling prices for 1991 were lower than in the prior year. Weak pricing for polyethylene was partially offset by increased polyester glycol volumes. Export sales from domestic operations increased to $568 million in 1991, three percent above 1990, mainly as a result of polyester glycol demand.

Operating profit decreased 80 percent, to $122 million, as compared with 1990. The special charge, Seadrift explosion, and sale and wind-down of the Unison business reduced operating results in 1991 by a total of $261 million. The gross margin ratio declined throughout the year, totaling 22.7 percent in 1991 as compared to 26.1 percent in 1990. Lower selling prices, increased hydrocarbons feedstock costs, and the $96 million loss of margin due to the Seadrift explosion contributed to the decreasing gross margin. Higher-than-anticipated maintenance and turnaround costs of a Texas City, Tex., olefins unit late in 1991 also lowered the gross margin. Selling, administrative and other expenses decreased by 12 percent, mainly as a result of lower contributions to profit sharing and cost reduction efforts. Operating profit was reduced by $130 million, representing severance and relocation costs, the Corporation's $60 million share of UOP's write-down to net realizable value of certain assets applicable to its fluid cracking catalyst business and certain other provisions mainly associated with the Corporation's profit improvement program, and by $35 million from the sale and wind-down of the transformer retrofill service business of the Unison Transformer Services subsidiary. Income from partnerships (excluding the above UOP charge) decreased to $38 million, from $70 million in 1990, as a result of losses in our Canadian partnership, Petromont and Company, Limited. The Petromont loss reflected the recessionary economy in Canada.

## 1990 Compared with 1989

Sales of $5.238 billion decreased seven percent from the record level of 1989. Although prices of ethylene oxide/glycol, polyethylene and other ethylene derivatives were raised late in the year in response to higher feedstock and energy costs, overall average selling prices for the full year of 1990 were lower than in the prior year for most major products. Increased volumes, primarily ethylene oxide/glycol and polyethylene, partially offset the weak pricing environment, and revenues also benefited from increased UNIPOL licensing activity.

Operating profit decreased 38 percent, to $624 million, as compared with 1989. Increased hydrocarbon feedstock and energy costs, costs associated with a severe freeze on the Gulf Coast earlier in 1990 and declines in selling prices contributed to a decreasing gross margin trend throughout the year. The 1990 gross margin ratio declined to 26.1 percent from 30.4 percent in 1989. Research and development expenditures increased by 10 percent to $157 million, representing continued development of process technologies, product line expansion and new business development efforts. Selling, administrative and other expenses increased by six percent, mainly as a result of unfavorable currency movements. Domestic selling, administrative and other expenses decreased slightly. Operating profit included gains aggregating $55 million from the sale of the primary alcohol ethoxylates and polysilicon businesses. Income from partnerships decreased to $70 million in 1990 from $82 million in 1989. Substantially improved results from UOP were more than offset by decreased earnings from Petromont and Company, Limited.

## General Expenses (Income) - Net

General expenses (income) - net includes unallocated corporate staff costs, the cost of accounts receivable discounting and other noninterest financing charges, foreign currency and interest rate hedging, corporate legal expenses, contributions, corporate realignment and reorganization costs and certain interest income, including interest income from Praxair business debt owed to UCC, as well as losses related to noncore businesses. The Corporation's principal noncore businesses include domestic mining and milling of uranium and vanadium through Umetco Minerals Corporation and the mining and smelting of chrome by Union Carbide Zimbabwe (Private) Limited, an unconsolidated subsidiary. The uranium operations have been underperforming in recent years as a result of severely depressed uranium prices, coupled with the cost of environmental clean-up at mining sites.

In 1992, general expense (income) - net includes $34 million income on the sales of the Corporation's investments in Exel Limited and $31 million in interest income earned on the approximately $1 billion of debt due from Praxair, largely repaid on June 30, 1992. In 1991, general expense (income) - net included $79 million of before-tax special charges representing staff severance, headquarters consolidation, legal and spin-off costs. Following is an analysis of general expenses (income) - net:

| | Expense (Income) | | |
|---|---|---|---|
| | **1992** | 1991 | 1990 |
| Interest income from Praxair | **$(31)** | $(90) | $(108) |
| Financing (income) expense | **(6)** | (27) | 11 |
| Special charge | **–** | 79 | – |
| Corporate staff | **39** | 39 | 41 |
| Noncore business | **6** | 23 | 16 |
| Litigation | **11** | 8 | 9 |
| Realignment and corporate reorganization | **–** | 2 | 17 |
| Gain on sale of investments | **(34)** | – | – |
| Other | **7** | 7 | 4 |
| | **$ (8)** | $ 41 | $ (10) |

## Costs Relating to Protection of the Environment

Worldwide costs relating to environmental protection continue to grow, due primarily to increasingly stringent laws and regulations and to the Corporation's commitment to industry initiatives such as RESPONSIBLE CARE as well as to its own internal standards. In 1992, worldwide expenses of continuing operations related to environmental protection for compliance with Federal, state and local laws regulating solid and hazardous wastes and discharge of materials to air and water, as well as for waste site remedial activities, totaled $150 million. Expenses in 1991 and 1990 were $184 million and $158 million, respectively. In addition, worldwide capital expenditures relating to environmental protection in 1992 totaled $82 million, compared with $65 million and $61 million in 1991 and 1990, respectively.

The Corporation, like other companies in the U.S., periodically receives notices from the U.S. Environmental Protection Agency and from state environmental agencies, as well as claims from other companies. These notices allege that the Corporation is a "potentially responsible party" (PRP) under the Comprehensive Environmental Response, Compensation and Liability Act and equivalent state laws (hereafter referred to collectively as "Superfund") for past and future cleanup costs at hazardous waste sites at which the Corporation is alleged to have arranged for treatment or disposal of hazardous substances. The Corporation is also undertaking environmental investigation and remediation projects at hazardous waste sites located on property currently and formerly owned by the Corporation pursuant to Superfund, as well as the Resource Conservation and Recovery Act and equivalent state laws.

There are approximately 120 hazardous waste sites at which management believes that it is probable or reasonably possible that the Corporation will incur liability for investigation and/or remediation costs. The Corporation has established accruals for those hazardous waste sites where it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Corporation monitors accruals as new remediation commitments are made, as information becomes available permitting reasonable estimates to be made and to reflect new and changing facts.

At Dec. 31, 1992, the Corporation's accruals for environmental remediation totaled $234 million ($208 million in 1991).

Estimates of future costs of environmental protection are necessarily imprecise, due to numerous uncertainties. These include the impact of new laws and regulations, the availability and application of new and diverse technologies, the identification of new hazardous waste sites at which the Corporation may be a PRP and, in the case of Superfund sites, the ultimate allocation of costs among PRPs and the final determination of the remedial requirements. Due to the inherent imprecision in estimating such future costs, but taking into consideration the Corporation's experience to date regarding environmental matters of a similar nature and facts currently known, the Corporation estimates that worldwide expenses for environmental protection, expressed in 1992 dollars, should average about $160 million annually over the next five years. Worldwide capital expenditures for environmental protection, also expressed in 1992 dollars, are expected to average about $70 million annually over the same period. Management anticipates that future annual costs for environmental protection after 1997 will continue at levels comparable to the five-year average estimates.

Subject to the inherent imprecision and uncertainties in estimating and predicting future costs of environmental protection, it is management's opinion that any future annual costs for environmental protection in excess of the five-year average estimates stated here, plus those costs anticipated to continue thereafter, would not have a material adverse effect on the Corporation's financial condition. However, such excess costs, if any, could have a material adverse effect on results of operations for a given year.

## Interest Expense

Interest expense totaled $146 million in 1992, a decrease of $82 million compared with 1991, reflecting a $1 billion debt repayment from Praxair upon spin-off and lower interest rates from the Corporation's refinancing of higher-cost debt with debt at lower rates. Interest expense totaled $228 million in 1991, $41 million lower than in the previous year.

## Provision for Income Taxes

The effective tax rate for 1992 was 25.3 percent, reflecting research and development tax credits, foreign sales corporation benefits, reduced taxes from joint venture partnerships and income from foreign affiliates taxed at lower than statutory rates.

The Corporation reported a credit for income taxes of $50 million for 1991, representing 34.0 percent of the pre-tax loss in the period. The tax rate for 1990 was 35.6 percent.

## Net Loss from Investments Carried at Equity

In 1992, the Corporation's share of net losses of investments carried at equity was $14 million, primarily related to UCAR Carbon. UCAR Carbon's losses reflect excess capacity in the graphite electrodes business aggravated by the difficult economic conditions being experienced by its principal customers in the steel industry. Although modest improvements in operating results are anticipated as a result of continued cost cutting and a recovery in general economic conditions, further facility rationalizations may be required to properly structure the business for consistent profitability in future years.

In 1991, the Corporation's share of losses of investments carried at equity totaled $21 million. This principally resulted from losses of UCAR Carbon, including a $10 million after-tax charge (included in the previously identified special charge) representing UCC's share of losses related to restructuring of certain carbon production facilities.

In 1990, the Corporation's share of losses from investments carried at equity totaled $42 million. This amount includes a nonrecurring net charge of $55 million, consisting of a loss of $86 million from the sale of a 50 percent interest in UCAR Carbon, partially offset by a gain of $31 million from the sale of the Corporation's interest in KEMET Electronics Corporation. In addition, lower income was recorded from Nippon Unicar Company Limited, a 50 percent-owned corporate investment in Japan.

### Income from Discontinued Operations

Income from discontinued operations for 1992 reflects the net income of Praxair for the first six months of 1992, prior to the June 30 spin-off. At that time Praxair became a separate public company. The 1991 and 1990 results reflect a full year's operations of Praxair.

### Accounting Changes

The Corporation recorded a noncash after-tax charge in 1992 of $360 million as a result of adopting Statement of Financial Accounting Standards (FAS) 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The charge represents the cumulative effect of the accounting standard for years prior to 1992 and is set forth separately in the statement of income. For 1992, the effect of FAS 106 was to reduce income from continuing operations by $16 million after-tax. The cumulative effect of adopting FAS 109, "Accounting for Income Taxes," was a charge of $1 million.

## Liquidity, Capital Resources and Other Financial Data

### Cash Flow from Operations

Cash flow from operations was $280 million as compared to $481 million in 1991. Reductions in receivables and inventories were more than offset by a reduction in accounts payable and severance and relocation costs incurred as part of the profit improvement program. In addition, cash flow from operations in 1991 included the collection of a long-term note from Public Service of Indiana for $94 million.

### Cash Flow from (Used for) Investing

Cash flow from (used for) investing includes capital expenditures, investments, proceeds from the sale of assets and businesses and net cash received from (transferred to) Praxair. Net investing proceeds increased to $871 million from $102 million in 1991, primarily as a result of the spin-off, as Praxair repaid approximately $1 billion due the Corporation.

Capital expenditures for 1992 totaled $359 million, as compared to $400 million in 1991. Major domestic capital projects in 1992 included expenditures to complete the conversion of an ethylene oxide plant to an oxygen process facility, expansion of acrolein derivatives capacity and the purchase of an air separation unit, all at Taft, La. Over the last three years, 24 percent of capital expenditures was directed to new capacity, 50 percent to cost reduction and replacement, and 26 percent to environmental, safety and health facilities. Of these expenditures, 86 percent were in the U.S. and Puerto Rico.

Investments during 1992 totaled $69 million and included $30 million to UCAR Carbon. During 1990, total investments of $204 million included the purchase of the TRITON surfactant and alkylphenol business. Proceeds from the sale of assets in 1992 included receipt of $50 million from a licensee in settlement of a receivable and $9 million relating to the sale of an aircraft. Proceeds from the sale of investments in 1992 included $44 million from the sale of the Corporation's investment in Exel Limited, $32 million from the sale of a Canadian investment and $17 million for the remaining interest in KEMET Electronics. In 1991, proceeds from the sale of assets included $233 million from Mitsubishi

Corporation in connection with the sale of 50 percent of the Corporation's equity in UCAR Carbon, and collection of $205 million on a note from UCAR Carbon. The sales of the polysilicon and primary alcohol ethoxylates businesses were included in 1990 proceeds.

At Dec. 31, 1992, the cost of completing authorized construction projects was estimated to be $392 million, of which $36 million is covered by firm commitments. Included in firm commitments is a $26 million commitment to Praxair for construction of a Canadian gas plant. Future construction expenditures are anticipated to be sourced through operating cash flows.

## Cash Flow Used for Financing

Cash flow used for financing includes stockholder dividends, funds used to buy back common stock and debt changes, offset in part by proceeds from sales of common stock pursuant to the Corporation's dividend reinvestment plan and its employee savings and incentive programs.

Cash flow used for financing in 1992 increased to $1.041 billion from $569 million in 1991, primarily as a result of increased net debt reductions. Net debt reductions totaled $977 million in the current year as compared to $432 million in 1991.

In 1990, increases in net borrowings totaled $506 million and were used to fund a stock repurchase of 20.3 million shares, as well as the redemption of $249 million in asset-backed Short-Term Auction Rate Preferred stock.

During 1992, UCC&P Inc. repurchased or redeemed its 9.75 percent senior subordinated debentures due 1994, 9.35 percent senior notes due 1992, 9.35 percent sinking fund debentures due 2009, 8.50 percent sinking fund debentures due 2005 and substantially all of its 7.5 percent sinking fund debentures due 2006. In addition, UCC&P Inc. issued $300 million of long-term debt. On Jan. 31, 1993, UCC&P Inc. redeemed all of its outstanding 15 percent senior debentures due 2006. This refinancing strategy enabled the Corporation to meet its objectives of reducing ongoing interest expense and extending the average life of its long-term debt.

At Dec. 31, 1992, Union Carbide had $850 million of unused commitments under a bank credit agreement.

The Corporation has guaranteed the payment of principal and interest on all public debt of UCC&P Inc. Under certain of the instruments relating to such debt, UCC&P Inc. is restricted from paying cash dividends to the Corporation if its total equity less intangible assets is less than $450 million. Total equity less intangible assets was approximately $1.3 billion at Dec. 31, 1992. UCC&P Inc. is also restricted from making such payments if it is in default under these debt instruments.

## Debt Ratios

Total debt outstanding at year-end for the past three years was:

| Dollar amounts in millions | **1992** | 1991 | 1990 |
|---|---|---|---|
| Domestic | **$1,274** | $1,962 | $2,300 |
| International | **197** | 480 | 583 |
| Total | **$1,471** | $2,442 | $2,883 |

Year-end ratios of total debt to total capital were:

| | **1992** | 1991 | 1990 |
|---|---|---|---|
| Debt ratio | **54.3%**[a] | 52.0% | 54.0% |

a) In 1992 the Corporation adopted FAS 106 and FAS 109, reducing stockholders' equity by $361 million for the cumulative effect of changes in accounting principles as of Jan. 1, 1992. Excluding the cumulative adjustments, the ratio would have been 47.9 percent.

Total debt includes short-term debt, long-term debt and the current portion of long-term debt. Total capital consists of total debt plus minority stockholders' equity in consolidated subsidiaries and UCC stockholders' equity.

# Geographic Segments

| Millions of dollars | | | |
|---|---|---|---|
| **Net Sales** | **1992** | 1991 | 1990 |
| United States & Puerto Rico | **$3,529** | $3,530 | $3,827 |
| Canada | **137** | 158 | 192 |
| Europe | **550** | 550 | 594 |
| Latin America | **222** | 200 | 187 |
| Far East & Other | **434** | 439 | 438 |
| International operations | **1,343** | 1,347 | 1,411 |
| Total UCC Consolidated | **$4,872** | $4,877 | $5,238 |
| **Operating Profit (Loss)** | **1992** | 1991 | 1990 |
| United States & Puerto Rico | **$ 275** | $ 89 | $ 556 |
| Canada | **(14)** | (22) | 19 |
| Europe | **13** | 4 | 14 |
| Latin America | **8** | 13 | 10 |
| Far East & Other | **30** | 27 | 24 |
| International operations | **37** | 22 | 67 |
| Inter-segment eliminations | **4** | 11 | 1 |
| Total UCC Consolidated | **$ 316** | $ 122 | $ 624 |
| **Identifiable Assets** | **1992** | 1991 | 1990 |
| United States & Puerto Rico | **$3,575** | $3,712 | $3,826 |
| Canada | **367** | 361 | 508 |
| Europe | **316** | 351 | 347 |
| Latin America | **151** | 140 | 132 |
| Far East & Other | **213** | 317 | 274 |
| International operations | **1,047** | 1,169 | 1,261 |
| Inter-segment eliminations | **(53)** | (120) | (99) |
| Total UCC Consolidated | **$4,569** | $4,761 | $4,988 |

The following table reconciles identifiable assets with the consolidated financial statements:

| Millions of dollars | **1992** | 1991 | 1990 |
|---|---|---|---|
| Identifiable assets | **$4,569** | $4,761 | $4,988 |
| Investments and advances | **176** | 271 | 310 |
| Corporate assets | **196** | 106 | 110 |
| Due from Praxair, Inc. | **–** | 1,038 | 989 |
| Net assets of discontinued business | **–** | 650 | 645 |
| Due from UCAR Carbon | **–** | – | 226 |
| Other assets held for sale | **–** | – | 121 |
| Total UCC Consolidated | **$4,941** | $6,826 | $7,389 |

The following table reconciles operating profit with the consolidated financial statements. (The term *operating profit* is used as defined in Statement of Financial Accounting Standards No. 14.)

| Millions of dollars | **1992** | 1991 | 1990 |
|---|---|---|---|
| Operating profit | **$316** | $ 122 | $624 |
| Less: general expense (income) – net | **(8)** | 41 | (10) |
| Interest on long-term and short-term debt | **146** | 228 | 269 |
| Income (loss) before provision for income taxes – continuing operations | **$178** | $(147) | $365 |

Operating profit in 1992 includes the Corporation's share of income before income taxes of $60 million from partnerships ($22 million loss in 1991 and $70 million income in 1990).

In addition, the 1992 operating profit includes a reduction of $21 million for the effect of adoption of FAS 106; a charge of $35 million for additional severance expense associated with the Corporation's ongoing profit improvement program; and income of $25 million from the settlement of a patent infringement case.

The 1991 operating profit includes special items totaling $165 million relating to special charges and the sale and wind-down of the transformer retrofill service business of the Unison Transformer Services subsidiary.

The 1990 operating profit includes gains of $31 million from the sale of the primary alcohol ethoxylates business and $24 million from the sale of the polysilicon business.

## Quarterly Data

| Millions of dollars | 1Q[a] | 2Q[a] | 3Q[a] | 4Q | Year |
|---|---|---|---|---|---|
| **1992** | | | | | |
| Net sales | $1,187 | $1,257 | $1,241 | $1,187 | $4,872 |
| Cost of sales | 875 | 984 | 976 | 915 | 3,750 |
| Gross profit | 312 | 273 | 265 | 272 | 1,122 |
| Depreciation and amortization | 76 | 73 | 70 | 74 | 293 |
| Income from continuing operations | 42 | 36 | 22 | 19 | 119 |
| Cumulative effect of change in accounting principles | (361) | – | – | – | (361) |
| Net income (loss) – common stockholders | (291) | 67 | 20 | 17 | (187) |
| **1991** | | | | | |
| Net sales | $1,323 | $1,212 | $ 1,191 | $1,151 | $4,877 |
| Cost of sales | 966 | 913 | 934 | 957 | 3,770 |
| Gross profit | 357 | 299 | 257 | 194 | 1,107 |
| Depreciation and amortization | 75 | 70 | 71 | 71 | 287 |
| Income (loss) from continuing operations | 56 | 22 | (107)[b] | (87)[c] | (116) |
| Net income (loss) – common stockholders | 78 | 46 | (89) | (63) | (28) |

| Dollars per common share | 1Q[a] | 2Q[a] | 3Q[a] | 4Q | Year |
|---|---|---|---|---|---|
| **1992** | | | | | |
| Primary income from continuing operations | $ 0.27 | $ 0.24 | $ 0.14 | $ 0.12 | $ 0.76 |
| Cumulative effect of change in accounting principles | (2.81) | – | – | – | (2.73) |
| Primary net income (loss)[d] | (2.28) | 0.50 | 0.14 | 0.12 | (1.46) |
| Cash dividends | 0.25 | 0.25 | 0.1875 | 0.1875 | 0.875 |
| Special distribution of Praxair common stock[e] | – | 15.875 | – | – | 15.875 |
| Market price – high[e] | 25.38 | 29.63 | 15.00 | 17.13 | 17.13 |
| Market price – low[e] | 20.13 | 23.25 | 10.88 | 12.00 | 10.88 |
| **1991** | | | | | |
| Primary income (loss) from continuing operations | $ 0.40 | $ 0.13 | $ (0.88)[b] | $(0.72)[c] | $ (1.06) |
| Primary net income (loss) | 0.62 | 0.36 | (0.70) | (0.49) | (0.22) |
| Fully diluted income from continuing operations[d] | 0.40 | – | – | – | – |
| Fully diluted net income[d] | 0.57 | 0.35 | – | – | – |
| Cash dividends | 0.25 | 0.25 | 0.25 | 0.25 | 1.00 |
| Market price – high | 20.63 | 21.50 | 22.63 | 21.00 | 22.63 |
| Market price – low | 15.13 | 16.63 | 19.63 | 16.38 | 15.13 |

a) Restated to show the effects of the adoption of FAS 106 and FAS 109 as of Jan. 1, 1992 (see Note 1 on page 26).

b) Includes an after-tax special charge of $114 million, or $0.89 per common share primary (see Note 5 on page 29).

c) Includes an after-tax special charge of $46 million, or $0.36 per common share primary (see Note 5 on page 29).

d) The fully diluted per share amounts are not presented where amounts are antidilutive.

e) On June 30, 1992, the Corporation completed the spin-off of Praxair, distributing to holders of common stock one share of Praxair valued at $15.875 for each share of UCC common stock. The high and low presented for the first and second quarters represent the value of stock before the spin-off. The high and low for the third and fourth quarters and the year represent the value of the common stock after the spin-off. Prices are based on New York Stock Exchange composite transactions.

# Selected Financial Data

*Union Carbide Corporation and Subsidiaries*

| Dollar amounts in millions (except per share figures), year ended December 31, | 1992 | 1991 | 1990 | 1989 | 1988 |
|---|---|---|---|---|---|
| **From the Income Statement** | | | | | |
| Net sales | **$ 4,872** | $ 4,877 | $ 5,238 | $ 5,613 | $ 5,525 |
| Cost of sales | **3,750** | 3,770 | 3,872 | 3,905 | 3,696 |
| Research and development | **155** | 157 | 157 | 143 | 124 |
| Selling, administrative and other expenses | **383** | 408 | 466 | 442 | 394 |
| Depreciation and amortization | **293** | 287 | 278 | 261 | 255 |
| Interest on long-term and short-term debt | **146** | 228 | 269 | 268 | 172 |
| Pre-tax income (loss) from continuing operations | **178** | (147) | 365 | 780 | 978 |
| Provision (credit) for income taxes | **45** | (50) | 130 | 257 | 381 |
| UCC share of net income (loss) from corporate investments carried at equity | **(14)** | (21) | (42) | 27 | 33 |
| Income (loss) from continuing operations | **119** | (116) | 188 | 530 | 608 |
| Income from discontinued operations | **67** | 107 | 120 | 43 | 54 |
| Cumulative effect of change in accounting principles | **(361)** | – | – | – | – |
| Net Income (loss) – common stockholders | **(187)** | (28) | 308 | 573 | 662 |
| Per common share | | | | | |
| Primary – Income (loss) from continuing operations | **$ 0.76** | $ (1.06) | $ 1.34 | $ 3.76 | $ 4.48 |
| Primary – Net income (loss) | **(1.46)** | (0.22) | 2.19 | 4.07 | 4.88 |
| Fully diluted[a] – Income from continuing operations | **–** | – | $ 1.34 | 3.63 | 4.29 |
| Fully diluted[a] – Net income | **–** | – | 2.13 | 3.92 | 4.66 |
| **From the Balance Sheet (At Year-end)** | | | | | |
| Net current assets of continuing operations | **$ 102** | $ 209 | $ 7 | $ 22 | $ 14 |
| Total assets | **4,941** | 6,826 | 7,389 | 7,355 | 7,327 |
| Long-term debt | **1,113** | 1,160 | 2,058 | 2,060 | 2,271 |
| Other long-term obligations | **276** | 415 | 275 | 286 | 321 |
| Total capital | **2,710** | 4,694 | 5,338 | 5,319 | 4,805 |
| UCC stockholders' equity | **1,238** | 2,239 | 2,373 | 2,383 | 1,836 |
| UCC stockholders' equity per common share | **9.32** | 17.55 | 18.88 | 16.83 | 13.34 |
| **Other Data** | | | | | |
| Cash dividends on common stock | **$ 114** | $ 126 | $ 138 | $ 140 | $ 155 |
| Cash dividends per common share | **0.875** | 1.00 | 1.00 | 1.00 | 1.15 |
| Special distribution | **15.875** | – | – | – | – |
| Market price per common share – high[b] | **17.13[c]** | 22.63 | 24.88 | 33.25 | 28.38 |
| Market price per common share – low[b] | **10.88[c]** | 15.13 | 14.13 | 22.75 | 17.00 |
| Common shares outstanding (thousands at year-end) | **132,865** | 127,607 | 125,674 | 141,578 | 137,602 |
| Capital expenditures | **359** | 400 | 381 | 483 | 380 |
| Employees – continuing operations (at year-end) | **15,075** | 16,705 | 17,722 | 18,032 | 17,258 |
| **Selected Financial Ratios** | | | | | |
| Total debt/total capital (at year-end) | **54.3%[d]** | 52.0% | 54.0% | 49.9% | 56.1% |
| Return on capital[e] | **6.9%** | – | 8.4% | 21.2% | 24.5% |
| Income from continuing operations/average UCC stockholders' equity | **6.8%** | – | 7.9% | 25.1% | 39.4% |
| Cash dividends on common stock/income from continuing operations | **95.8%** | – | 73.4% | 26.4% | 25.5% |

a) Fully diluted per share amounts are not presented where amounts are antidilutive.

b) Prices are based on New York Stock Exchange composite transactions.

c) On June 30, 1992, the Corporation completed the spin-off of Praxair, distributing to holders of common stock one share of Praxair common stock for each share of UCC common stock. The high and low presented in the table for 1992 represent the value of the common stock after the spin-off. The high for the year before the spin-off was $29.63; the low before the spin-off was $20.13.

d) In 1992, the Corporation adopted FAS 106 and FAS 109, reducing stockholders' equity by $361 million for the cumulative effect of a change in accounting principles as of Jan. 1, 1992. Excluding this cumulative adjustment, the ratio would have been 47.9 percent.

e) Return on capital is computed by dividing income by beginning of year capital. Income consists of *Income (loss) from continuing operations* less preferred dividends plus after-tax interest cost (net of interest income received from Praxair), plus income from minority interests. Capital consists of the components described below, less the Corporation's Praxair-related assets and the cumulative effect of the change in accounting principles adopted as of Jan. 1, 1992.

*Total debt* consists of short-term debt, long-term debt and current installments of long-term debt. *Total capital* consists of *Total debt* plus *Minority stockholders' equity in consolidated subsidiaries* and *UCC stockholders' equity*.

## Consolidated Statement of Income

*Union Carbide Corporation and Subsidiaries*

| Millions of dollars (except per share figures), year ended December 31, | 1992 | 1991 | 1990 |
|---|---|---|---|
| **Net Sales** | $4,872 | $4,877 | $5,238 |
| Cost of sales, exclusive of depreciation and amortization shown separately below | 3,750 | 3,770 | 3,872 |
| Research and development | 155 | 157 | 157 |
| Selling, administration and other expenses | 383 | 408 | 466 |
| Depreciation and amortization | 293 | 287 | 278 |
| Interest on long-term and short-term debt | 146 | 228 | 269 |
| Other expense (income) | (33) | 174 | (169) |
| **Income (Loss) before Provision for Income Taxes – Continuing Operations** | 178 | (147) | 365 |
| Provision (credit) for income taxes | 45 | (50) | 130 |
| **Income (Loss) of Consolidated Companies – Continuing Operations** | 133 | (97) | 235 |
| Less: Minority stockholders' share of income (loss) | – | (2) | 5 |
| Plus: Union Carbide share of net loss from corporate investments carried at equity | (14) | (21) | (42) |
| **Income (Loss) from Continuing Operations** | $ 119 | $ (116) | $ 188 |
| Income from discontinued operations, net of income taxes and minority interest | 67 | 107 | 120 |
| **Net Income (Loss) before Cumulative Effect of Change in Accounting Principles** | $ 186 | $ (9) | $ 308 |
| Cumulative effect of change in accounting principles | (361) | – | – |
| **Net Income (Loss)** | (175) | (9) | 308 |
| Preferred stock dividends, net of income taxes | 12 | 19 | – |
| **Net Income (Loss) – Common Stockholders** | $ (187) | $ (28) | $ 308 |
| **Earnings per Common Share** | | | |
| Primary – Income (loss) from continuing operations | $ 0.76 | $ (1.06) | $ 1.34 |
| – Income from discontinued operations | $ 0.51 | $ 0.84 | $ 0.85 |
| – Cumulative effect of change in accounting principles | $ (2.73) | $ – | $ – |
| – Net income (loss) – common stockholders | $ (1.46) | $ (0.22) | $ 2.19 |
| Fully diluted[a] – Income from continuing operations | $ – | $ – | $ 1.34 |
| – Income from discontinued operations | $ – | $ – | $ 0.79 |
| – Net income – common stockholders | $ – | $ – | $ 2.13 |
| **Cash Dividends Declared per Common Share** | $ 0.875 | $ 1.00 | $ 1.00 |

a) Fully diluted per share amounts are not presented where amounts are antidilutive.

The Notes to Financial Statements on pages 26 through 41 should be read in conjunction with this statement.

# Consolidated Balance Sheet

*Union Carbide Corporation and Subsidiaries*

| Millions of dollars at December 31, | 1992 | 1991 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 171 | $ 64 |
| Notes and accounts receivable | 748 | 846 |
| Inventories | | |
| Raw materials and supplies | 121 | 146 |
| Work in process | 56 | 56 |
| Finished goods | 279 | 327 |
| | 456 | 529 |
| Prepaid expenses | 204 | 164 |
| Due from Praxair, Inc. | – | 1,038 |
| **Total Current Assets** | 1,579 | 2,641 |
| Property, plant and equipment | 5,730 | 5,542 |
| Less: Accumulated depreciation | 3,191 | 3,043 |
| **Net Fixed Assets** | 2,539 | 2,499 |
| Companies carried at equity | 475 | 479 |
| Other investments and advances | 58 | 124 |
| **Total Investments and Advances** | 533 | 603 |
| Net assets of discontinued business | – | 650 |
| Other assets | 290 | 433 |
| **Total Assets** | $4,941 | $6,826 |
| **Liabilities and Stockholders' Equity** | | |
| Accounts payable | $ 375 | $ 496 |
| Short-term debt | 324 | 606 |
| Payments to be made within one year on long-term debt | 34 | 676 |
| Accrued income and other taxes | 162 | 12 |
| Other accrued liabilities | 582 | 642 |
| **Total Current Liabilities** | 1,477 | 2,432 |
| Long-term debt | 1,113 | 1,160 |
| Postretirement benefit obligation | 544 | – |
| Other long-term obligations | 276 | 415 |
| Deferred credits | 263 | 543 |
| Minority stockholders' equity in consolidated subsidiaries | 1 | 13 |
| Convertible preferred stock | 152 | 324 |
| Unearned employee compensation | (123) | (300) |
| UCC stockholders' equity | | |
| Common stock | | |
| Authorized – 500,000,000 shares | | |
| Issued – 135,513,389 shares (130,256,120 shares in 1991) | 136 | 130 |
| Additional paid-in capital | 100 | 33 |
| Equity adjustment from foreign currency translation | (71) | (8) |
| Retained earnings | 1,119 | 2,130 |
| | 1,284 | 2,285 |
| Less: Treasury stock, at cost – 2,648,837 shares in 1992 and 1991 | 46 | 46 |
| **Total UCC Stockholders' Equity** | 1,238 | 2,239 |
| **Total Liabilities and Stockholders' Equity** | $4,941 | $6,826 |

The Notes to Financial Statements on pages 26 through 41 should be read in conjunction with this statement.

# Consolidated Statement of Cash Flows

*Union Carbide Corporation and Subsidiaries*

Increase (Decrease) in Cash and Cash Equivalents

| Millions of dollars, year ended December 31, | 1992 | 1991 | 1990 |
|---|---|---|---|
| **Operations** | | | |
| Income (loss) from continuing operations | $ 119 | $ (116) | $ 188 |
| Noncash charges (credits) to net income | | | |
| Depreciation and amortization | 293 | 287 | 278 |
| Deferred income taxes | (44) | (52) | 20 |
| Other noncash charges[a] | 8 | 225 | 93 |
| Investing credits to net income | (59) | 20 | (69) |
| Working capital[b] | 2 | (21) | (101) |
| Long-term assets and liabilities | (39) | 138 | 18 |
| **Cash Flow from Operations** | 280 | 481 | 427 |
| **Investing** | | | |
| Capital expenditures | (359) | (400) | (381) |
| Investments | (69) | (47) | (204) |
| Sale of investments | 101 | 102 | 119 |
| Sale of fixed and other assets | 132 | 454 | 142 |
| Net cash transferred from (to) Praxair, Inc. | 1,066 | (7) | (5) |
| **Cash Flow from (Used for) Investing** | 871 | 102 | (329) |
| **Financing** | | | |
| Change in short-term debt (three months or less) | (260) | (430) | 5 |
| Proceeds from short-term debt | 203 | 931 | 212 |
| Repayment of short-term debt | (222) | (380) | (162) |
| Proceeds from long-term debt | 324 | 203 | 1,657 |
| Repayment of long-term debt | (1,022) | (756) | (1,206) |
| Issuance of common stock | 73 | 35 | 69 |
| Purchase of common stock | – | – | (353) |
| Issuance (repurchase) of convertible preferred stock | (202) | – | 325 |
| Repayment of loan by (loan to) ESOP | 202 | – | (325) |
| Redemption by a consolidated subsidiary of its preferred stock | – | – | (249) |
| Payment of dividends | (130) | (155) | (138) |
| Other | (7) | (17) | (2) |
| **Cash Flow Used for Financing** | (1,041) | (569) | (167) |
| Effect of exchange rate changes on cash and cash equivalents | (3) | (4) | (8) |
| Change in cash and cash equivalents | 107 | 10 | (77) |
| Cash and cash equivalents beginning-of-year | 64 | 54 | 131 |
| Cash and cash equivalents end-of-year | $ 171 | $ 64 | $ 54 |
| **Cash Paid for Interest and Income Taxes** | 1992 | 1991 | 1990 |
| Interest (net of amount capitalized) | $ 174 | $ 237 | $ 234 |
| Income taxes | $ 59 | $ 57 | $ 70 |

a) Includes for 1991 a $209 million noncash charge relating to the Corporation's profit improvement program (see Note 5 on page 29).

b) Net change in working capital by component (excluding cash and cash equivalents, due from Praxair and from UCAR Carbon, net assets held for sale, deferred income taxes and short-term debt):

| | 1992 | 1991 | 1990 |
|---|---|---|---|
| (Increase) decrease in current assets | | | |
| Notes and accounts receivable | $ 73 | $ 211 | $(128) |
| Inventories | 71 | 26 | 2 |
| Prepaid expenses | (13) | (23) | 8 |
| Increase (decrease) in payables and accruals | (129) | (235) | 17 |
| Working capital | $ 2 | $ (21) | $(101) |

The Notes to Financial Statements on pages 26 through 41 should be read in conjunction with this statement.

# Consolidated Statement of Stockholders' Equity

*Union Carbide Corporation and Subsidiaries*

| | 1992 | | 1991 | | 1990 | |
|---|---|---|---|---|---|---|
| | Shares (in thousands) | Millions of dollars | Shares (in thousands) | Millions of dollars | Shares (in thousands) | Millions of dollars |
| **Common Stock** | | | | | | |
| **Balance at January 1** | 130,256 | $ 130 | 128,339 | $ 128 | 141,578 | $ 142 |
| Issued: | | | | | | |
| For the Dividend Reinvestment and Stock Purchase Plan | 483 | 1 | 587 | 1 | 592 | – |
| For employee savings and incentive plans | 4,742 | 5 | 1,330 | 1 | 3,201 | 3 |
| Conversion of debentures | 32 | – | – | – | – | – |
| Retirement of Treasury shares | – | – | – | – | (17,032) | (17) |
| **Balance at December 31** | 135,513 | $ 136 | 130,256 | $ 130 | 128,339 | $ 128 |
| **Treasury Stock** | | | | | | |
| **Balance at January 1** | 2,649 | $ 46 | 2,665 | $ 46 | – | $ – |
| Purchased under self-tender offer | – | – | – | – | 20,332 | 353 |
| Issued for business combinations | – | – | (16) | – | (635) | (11) |
| Retirement of Treasury shares | – | – | – | – | (17,032) | (296) |
| **Balance at December 31** | 2,649 | $ 46 | 2,649 | $ 46 | 2,665 | $ 46 |
| **Additional Paid-in Capital** | | | | | | |
| **Balance at January 1** | | $ 33 | | $ – | | $ 38 |
| Issued: | | | | | | |
| For the Dividend Reinvestment and Stock Purchase Plan | | 9 | | 11 | | 10 |
| For employee savings and incentive plans | | 58 | | 22 | | 56 |
| Retirement of a subsidiary's preferred stock | | – | | – | | (5) |
| Retirement of Treasury shares | | – | | – | | (99) |
| **Balance at December 31** | | $ 100 | | $ 33 | | $ – |
| **Equity Adjustment from Foreign Currency Translation** | | | | | | |
| **Balance at January 1** | | $ (8) | | $ 7 | | $ (90) |
| Translation and other adjustments | | (47) | | (13) | | 73 |
| Praxair spin-off | | (16) | | – | | – |
| Sale of interest in UCAR Carbon | | – | | (2) | | 24 |
| **Balance at December 31** | | $ (71) | | $ (8) | | $ 7 |
| **Retained Earnings** | | | | | | |
| **Balance at January 1** | | $2,130 | | $2,284 | | $2,293 |
| Net income (loss) – common stockholders | | (187) | | (28) | | 308 |
| Dividends on spin-off of Praxair | | (710) | | – | | – |
| Cash dividends on common stock | | (114) | | (126) | | (138) |
| Retirement of Treasury shares | | – | | – | | (179) |
| **Balance at December 31** | | $1,119 | | $2,130 | | $2,284 |

The Notes to Financial Statements on pages 26 through 41 should be read in conjunction with this statement.

## INDEX

The subjects covered by the Notes to Financial Statements are found on the following pages:



## 1. Summary of Significant Accounting Policies

**Principles of Consolidation** – The consolidated financial statements include the accounts of all subsidiaries except Praxair, Inc., which was spun off to shareholders on June 30, 1992, and is included in *Net assets of discontinued business* on the balance sheet at Dec. 31, 1991 (see Note 2); Union Carbide India Limited; and Union Carbide Zimbabwe (Private) Limited, which are included in *Other investments and advances.* All significant intercompany transactions have been eliminated in consolidation. Investments in 20 percent to 50 percent-owned companies are carried at equity in net assets. In the Consolidated Statement of Income, the Corporation's share of the net income of companies carried at equity, plus the net gain and loss from the sale of equity interests, is reported under the caption *UCC share of net income (loss) from corporate investments carried at equity.* Pre-tax partnership income is included in *Other expense (income).* Other investments are carried generally at cost.

**Accounting and Reporting Changes** – Effective Jan. 1, 1992, the Corporation adopted FAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and FAS 109, "Accounting for Income Taxes." The cumulative effects of the changes in method of accounting for postretirement benefits and income taxes are reported in the 1992 Consolidated Statement of Income. Effective Dec. 31, 1992, the Corporation adopted FAS 107, "Disclosures about Fair Value of Financial Instruments."

**Foreign Currency Translation** – Generally, except for Latin America, unrealized gains and losses resulting from translating foreign subsidiaries' assets and liabilities into U.S. dollars are accumulated in an equity account on the balance sheet until such time as the subsidiary is sold, or substantially or completely liquidated. Translation gains and losses relating to operations of subsidiaries in Latin America, where hyperinflation exists, are included in the income statement.

**Financial Instruments** – Financial instruments are used to hedge financial risk caused by fluctuating interest and currency rates. The amounts to be paid or received on swap agreements accrue and are recognized over the lives of the agreements. The premiums and discounts on forward exchange contracts are amortized over the lives of the contracts.

The Corporation also enters into interest rate swaps and foreign currency transactions as a means of offsetting earnings fluctuations due to cyclical business conditions. These transactions are marked to market and the results recognized immediately as other income or other expense.

**Cash Equivalents** – The Corporation considers as cash equivalents all highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

**Inventories** – Inventories are stated at cost or market, whichever is lower. These amounts do not include depreciation and amortization, the impact of which is not significant to the financial statements.

Approximately 66 percent of inventory amounts before application of the LIFO method at Dec. 31, 1992 (65 percent at Dec. 31, 1991) have been valued on the LIFO basis; the "average cost" method is used for the balance. It is estimated that if inventories had been valued at current costs, they would have been approximately $327 million and $337 million higher than reported at Dec. 31, 1992, and Dec. 31, 1991, respectively.

**Fixed Assets** – Fixed assets are carried at cost. Expenditures for replacements are capitalized, and the replaced items are retired. Gains and losses from the sale of property are included in income.

Depreciation is calculated on a straight-line basis. The Corporation and its subsidiaries generally use accelerated depreciation methods for tax purposes where appropriate.

**Patents, Trademarks and Goodwill** – Amounts paid for purchased patents and newly acquired subsidiaries in excess of the fair value of the net assets of such subsidiaries have been charged to patents, trademarks and goodwill. The portion of such amounts determined to be attributable to patents is amortized over their remaining lives, while trademarks and goodwill are amortized over the estimated period of benefit, generally 5 to 20 years.

**Research and Development** – Research and development costs are charged to expense as incurred. Depreciation expense applicable to research and development facilities and equipment is included in *Depreciation and amortization* in the income statement ($13 million in 1992 and 1991, $12 million in 1990).

**Income Taxes** – In 1992, provision has been made, pursuant to FAS 109, for deferred income taxes based on differences between financial statement and tax bases of assets and liabilities using presently enacted tax rates and regulations. The current year also includes the cumulative effect of the adoption of FAS 109. Prior to 1992, provisions were made for deferred income taxes based on differences existing between the period in which transactions affected taxable income and the period in which they entered into the determination of income in the financial statements.

**Retirement Programs** – The cost of pension benefits under the U.S. Retirement Program is determined by an independent actuarial firm using the "projected unit credit" actuarial cost method, with an unrecognized net asset at Jan. 1, 1986, amortized over 15 years. Contributions to this program are made in accordance with the regulations of the Employee Retirement Income Security Act of 1974. Pursuant to FAS 106, the cost of postretirement benefits are recognized on the accrual basis over the period in which employees become eligible for benefits.

**Earnings per Common Share** – Primary earnings per common share is computed by dividing net income (loss) - common stockholders, excluding tax benefits related to unallocated preferred stock dividends, by the weighted average number of common shares outstanding during the year and common stock equivalents related to dilutive stock options. Fully diluted earnings per common share is computed by dividing adjusted net income (loss) - common stockholders by the weighted average number of common shares outstanding, common stock equivalents related to dilutive stock options, and common shares issuable upon conversion of debentures and convertible preferred stock.

## 2. Spin-off of Praxair, Inc.

On June 30, 1992, the Corporation completed the spin-off of its industrial gases subsidiary, Praxair. Under the terms of the spin-off, UCC distributed to its holders of common stock one share of Praxair common stock and an associated Praxair common stock purchase right (see Note 15) for each share of UCC common stock. The spin-off distribution reduced the Corporation's stockholders' equity on June 30, 1992, by $733 million; with subsequent adjustments, the amount at Dec. 31, 1992, was $726 million. The conversion prices of the Corporation's convertible debentures and convertible preferred stock were also reduced, due to antidilution adjustments (see Notes 13 and 14).

In the accompanying consolidated financial statements, Praxair has been reported as a discontinued business. The net assets of the discontinued business have been segregated in the 1991 Consolidated Balance Sheet.

The following is a summary of selected components of income from operations of the discontinued business:

| | Six Months Ended June 30, | Years Ended December 31, | |
|---|---|---|---|
| Millions of dollars | 1992 | 1991 | 1990 |
| Net sales[a] | $1,315 | $2,469 | $2,420 |
| Income before provision for income taxes | $ 129 | $ 207 | $ 266 |
| Provision for income taxes | 43 | 68 | 149 |
| Minority interest | 25 | 35 | 33 |
| Net income from corporate investments carried at equity | 6 | 3 | 36 |
| Net income | $ 67 | $ 107 | $ 120 |

a) Includes net sales to the Corporation of $20 million for the first six months of 1992 ($41 million in 1991 and $37 million in 1990).

## 3. Sale of Interest in Carbon Products Business

In February 1991, the Corporation completed the sale of a 50 percent interest in UCAR Carbon, the former Carbon Products industry segment, to Mitsubishi Corporation of Tokyo, retaining ownership of the remaining 50 percent interest. Before-tax cash proceeds from the sale of equity amounted to $233 million. Consistent with its anticipated reduced ownership interest in this business, the Corporation commenced reporting its investment in this business under the equity method of accounting in 1990 (see Note 12).

## 4. Financial Instruments

FAS 107 requires disclosure of an estimate of the fair value of certain financial instruments. Such fair values must often be determined by using one or more methods that indicate value based on estimates of quantifiable characteristics as of a particular date. Values were estimated as follows.

**Cash, Short-Term Receivables and Accounts Payable** – The carrying amount approximates fair value because of the short maturity of these instruments.

**Long-Term Receivables** – The fair values of long-term receivables are calculated using current interest rates and consideration of underlying collateral where appropriate. The fair values approximate the carrying value of $86 million reported in the Consolidated Balance Sheet.

**Debt** – As discussed in Note 13, fair values of debt and related interest rate swap agreements approximate carrying value at Dec. 31, 1992.

**Investments** – The Corporation's investments in equity companies, partnerships and other investees generally involve joint ventures for specific objectives for which it is not practicable to determine fair values.

**Foreign Currency Contracts** – Foreign currency forward contracts and currency options, both purchased and written, are carried at market. At Dec. 31, 1992, the gross amount of forward contracts outstanding was $390 million. The amount of purchased foreign currency options outstanding was $213 million, and the amount of written options was $89 million. These transactions have a net recorded fair market value of $4 million.

## 5. Special Charges

In 1992, the Corporation recorded a $35 million charge ($22 million after-tax) representing additional severance expenses related to the profit improvement program.

During 1991, the Corporation recorded a special charge associated with the profit improvement program of $209 million ($160 million after-tax). The charge included severance and relocation costs totaling $118 million relating to staff reductions associated with work process simplification efforts, anticipated staff reductions triggered by the Praxair spin-off, asset sales and costs associated with consolidation of certain customer service functions and headquarters operations. Also included was a $60 million write-down of the Corporation's share of UOP's fluid cracking catalyst business. UOP is a jointly owned partnership of the Corporation and Allied-Signal Inc.

The balance included $20 million mainly associated with Bhopal-related civil litigation, including funding of the construction of a new hospital, and costs of $11 million representing anticipated costs of the Praxair spin-off.

All of these costs have been included in *Other expense (income)* (see Note 6).

## 6. Other Expense (Income)

The following is an analysis of *Other expense (income):*

| Millions of dollars | **1992** | 1991 | 1990 |
|---|---|---|---|
| Investment income (principally from short-term investments) | **$(17)** | $ (14) | $ (25) |
| Foreign currency adjustments | **24** | 26 | 34 |
| Special charge[a] | **35** | 149 | – |
| Sales and disposals of businesses and other assets[b] | **(45)** | 34 | (64) |
| Partnership (income) loss | **(60)** | 22[a] | (70) |
| Interest income from Praxair | **(31)** | (90) | (108) |
| Other[c] | **61** | 47 | 64 |
| | **$(33)** | $ 174 | $(169) |

a) See Note 5.

b) Includes for 1992 gains of $34 million on the sales of the Corporation's investments in Exel Limited, a casualty insurance company, and a gain of $8 million on the sale of a corporate aircraft. Includes for 1991 a charge of $35 million in connection with the sale and wind-down of the transformer retrofill service business of the Unison Transformer Services subsidiary. Includes for 1990 a gain of $29 million from the sale of the primary alcohol ethoxylates business and a gain of $24 million from the sale of the polysilicon business.

c) Includes $35 million, $32 million and $64 million, in 1992, 1991 and 1990, respectively, related to discontinued and noncore businesses.

## 7. Interest Costs

The following is an analysis of *Interest on long-term and short-term debt:*

| Millions of dollars | **1992** | 1991 | 1990 |
|---|---|---|---|
| Interest incurred on debt | **$164** | $245 | $284 |
| Less: Related foreign currency adjustments | **3** | 3 | 4 |
| Interest capitalized | **15** | 14 | 11 |
| | **$146** | $228 | $269 |

## 8. Geographic Segment Information

Audited geographic segment data are presented on page 19.

## 9. Union Carbide Chemicals and Plastics Company Inc.

UCC has unconditionally guaranteed the payment of principal and interest on all debt of UCC&P Inc. registered with the Securities and Exchange Commission.

The following is a financial summary of UCC&P Inc. and its consolidated subsidiaries:

| Millions of dollars | 1992 | 1991 | 1990 |
|---|---|---|---|
| Net sales | **$4,872** | $4,877 | $5,238 |
| Cost of sales | **3,761** | 3,785 | 3,872 |
| Depreciation and amortization | **291** | 283 | 276 |
| Income (loss) from continuing operations | **111** | (114) | 275 |
| Cumulative effect of change in accounting principles | **(332)** | – | – |
| Net income (loss) | **(154)** | (7) | 405 |
| Current assets | **$1,577** | $2,640 | |
| Noncurrent assets | **3,357** | 3,361 | |
| Net assets of discontinued business | **–** | 650 | |
| Total assets | **$4,934** | $6,651 | |
| Current liabilities | **$1,432** | $2,363 | |
| Noncurrent liabilities | **2,083** | 2,123 | |
| Minority interest in consolidated subsidiaries | **1** | 13 | |
| Net assets | **$1,418** | $2,152 | |

## 10. Income Taxes

As discussed in Note 1, the cumulative effect of the change in accounting for income taxes of $1 million, determined as of Jan. 1, 1992, is reported in the Consolidated Statement of Income for the year ended Dec. 31, 1992. Prior years' financial statements have not been restated to apply provisions of FAS 109.

The following is a summary of the U.S and Non-U.S. components of *Income (loss) before provision for income taxes - continuing operations:*

| Millions of dollars | 1992 | 1991 | 1990 |
|---|---|---|---|
| Income (loss) before provision for income taxes: | | | |
| U.S. | **$147** | $(145) | $308 |
| Non-U.S. | **31** | (2) | 57 |
| | **$178** | $(147) | $365 |

The following is an analysis of income tax expense:

| | 1992 | | 1991 | | 1990 | |
|---|---|---|---|---|---|---|
| Millions of dollars | **Current** | **Deferred** | Current | Deferred | Current | Deferred |
| U.S. Federal income taxes | **$45** | **$(28)** | $(21) | $(53) | $ 54 | $17 |
| U.S. business and research and experimentation tax credits | **(5)** | **–** | (3) | – | (2) | – |
| U.S. state and local taxes based on income | **18** | **(4)** | 13 | – | 21 | – |
| Non-U.S. income taxes | **31** | **(12)** | 13 | 1 | 37 | 3 |
| | **$89** | **$(44)** | $ 2 | $(52) | $110 | $20 |
| Provision (credit) for income taxes – continuing operations | **$45** | | $(50) | | $130 | |

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at Dec. 31, 1992, are as follows:

| Millions of dollars | Deferred Tax Assets | Deferred Tax Liabilities |
|---|---|---|
| Depreciation & amortization | $ – | $363 |
| Postretirement benefits other than pensions | 213 | – |
| Environmental and litigation | 82 | – |
| Severance costs | 32 | – |
| Sale/leaseback deferrals | 66 | – |
| Other | 217 | 251 |
| Gross deferred tax assets & liabilities | $610 | $614 |
| Net deferred tax liability | | $ 4 |

Net noncurrent deferred tax liabilities of $107 million ($365 million in 1991) are included in *Deferred credits* in the Consolidated Balance Sheet. Net current deferred tax assets of $103 million ($61 million in 1991) are included in *Prepaid expenses*. Included in the deferred tax assets above are U.S. alternative minimum tax credit carryforwards of approximately $17 million, which are available to reduce future Federal regular income taxes, if any, over an indefinite period, and non-U.S. net operating loss carryforwards of $18 million, which are offset by a valuation allowance of $11 million.

Undistributed earnings of affiliates intended to be reinvested indefinitely amounted to approximately $389 million at Dec. 31, 1992. Determination of deferred taxes related to undistributed earnings of foreign affiliates that are intended to be reinvested indefinitely is not practicable.

The consolidated effective income tax rate was 25.3 percent in 1992, 34.0 percent in 1991 and 35.6 percent in 1990. An analysis of the difference between *Provision (credit) for income taxes* and the amount computed by applying the statutory Federal income tax rate to *Income (loss) before provision for income taxes – continuing operations* is as follows:

| | Percent of pre-tax income (loss) | | |
|---|---|---|---|
| Millions of dollars | **1992** | 1991 | 1990 |
| Tax at statutory Federal rate | **34.0%** | (34.0)% | 34.0% |
| Taxes related to operations outside the U.S. | **(0.4)** | 7.4 | 3.0 |
| U.S. state and local taxes based on income | **5.6** | (6.1) | 3.8 |
| Foreign sales corporation | **(6.7)** | 3.4 | (1.9) |
| Reversal of timing differences | **–** | (2.0) | (0.3) |
| Business credits | **(2.8)** | 2.0 | (0.5) |
| Other, net | **(4.4)** | (4.7) | (2.5) |
| | **25.3%** | (34.0)% | 35.6% |

The following table summarizes the tax effects of timing differences in 1991 and 1990 included in the deferred portion of the provision for income taxes:

| Millions of dollars | 1991 | 1990 |
|---|---|---|
| Pension adjustments | $ 12 | $13 |
| Depreciation and amortization | 26 | 12 |
| Environmental and litigation | (22) | (5) |
| Severance costs | (22) | – |
| Other, net | (46) | – |
| | $(52) | $20 |

## 11. Supplementary Balance Sheet Detail

| Millions of dollars at December 31, | 1992 | 1991 |
|---|---|---|
| Notes and accounts receivable | | |
| Trade | $ 628 | $ 656 |
| Other | 129 | 200 |
| | 757 | 856 |
| Less: allowance for doubtful accounts | 9 | 10 |
| | $ 748 | $ 846 |
| Property, plant and equipment | | |
| Land and improvements | $ 299 | $ 295 |
| Buildings | 382 | 370 |
| Machinery and equipment | 4,693 | 4,432 |
| Construction in progress and other | 356 | 445 |
| | $5,730 | $5,542 |
| Other assets | | |
| Deferred charges | $ 119 | $ 204 |
| Long-term receivables | 86 | 108 |
| Patents, trademarks and goodwill | 85 | 121 |
| | $ 290 | $ 433 |
| Other accrued liabilities | | |
| Accrued accounts payable | $ 208 | $ 252 |
| Payrolls | 61 | 66 |
| Severance and relocation costs | 84 | 107 |
| Other | 229 | 217 |
| | $ 582 | $ 642 |
| Deferred credits | | |
| Income taxes | $ 107 | $ 365 |
| Deferred gain on sales of the Danbury headquarters and Tarrytown properties | 90 | 99 |
| Other | 66 | 79 |
| | $ 263 | $ 543 |
| Equity adjustment from foreign currency translation (by geographic area) | | |
| Canada | $ (29) | $ (27) |
| Europe | (27) | 34 |
| Far East & Other | (15) | (15) |
| | $ (71) | $ (8) |

## 12. Companies Carried at Equity

The following are financial summaries of partnerships and 20 percent to 50 percent corporate investments carried at equity. The Corporation's most significant partnerships include UOP, Petromont and Company, Limited, World Ethanol Company and a Union Carbide/Shell polypropylene partnership.

| | Partnerships | | |
|---|---|---|---|
| Millions of dollars | 1992 | 1991 | 1990 |
| Net sales[a] | $1,527 | $1,502 | $1,491 |
| Cost of sales | 902 | 1,029 | 1,005 |
| Depreciation | 59 | 47 | 42 |
| Partnership income (loss) | 194 | (14) | 169 |
| Union Carbide share of partnership income (loss)[b] | 60 | (22) | 70 |
| Current assets | $ 486 | $ 505 | |
| Noncurrent assets | 689 | 671 | |
| Total assets | $1,175 | $ 1,176 | |
| Current liabilities | $ 445 | $ 296 | |
| Noncurrent liabilities | 255 | 355 | |
| Total liabilities | $ 700 | $ 651 | |
| Net assets | $ 475 | $ 525 | |
| Union Carbide equity | $ 262 | $ 285 | |

a) Includes $171 million net sales to Union Carbide Corporation in 1992 ($111 million in 1991 and $126 million in 1990).

b) Union Carbide share of partnership income (loss) has been reported in *Other expense (income)* (see Note 6).

Corporate investments carried at equity include UCAR Carbon, Nippon Unicar Company Limited and several smaller entities.

| | 20% - 50% Corporate Investments | | |
|---|---|---|---|
| Millions of dollars | 1992 | 1991 | 1990 |
| Net sales[a] | **$1,061** | $1,057 | $1,325 |
| Cost of sales | **834** | 840 | 1,012 |
| Depreciation | **58** | 53 | 81 |
| Net income (loss) | **(82)[b]** | (41) | 18 |
| Union Carbide share of net loss | **(14)** | (21) | (42)[c] |
| Current assets | **$ 469** | $ 537 | |
| Noncurrent assets | **738** | 653 | |
| Total assets | **$1,207** | $1,190 | |
| Current liabilities | **$ 500** | $ 537 | |
| Noncurrent liabilities | **257** | 262 | |
| Total liabilities | **$ 757** | $ 799 | |
| Net assets | **$ 450** | $ 391 | |
| Union Carbide equity | **$ 213** | $ 194 | |

a) Includes $63 million net sales to the Corporation in 1992 ($50 million in 1991 and $39 million in 1990).

b) Includes $55 million after-tax charge representing UCAR Carbon's adoption of FAS 106 and FAS 109.

c) Includes net loss of $86 million (after income taxes of $104 million) from the sale of 50 percent of the Corporation's equity in UCAR Carbon. The loss is primarily due to the larger reportable gain for income tax purposes than for financial reporting.

## 13. Long-term Debt

| Millions of dollars at December 31, | 1992 | 1991 |
|---|---|---|
| **Domestic** | | |
| 5.30% Sinking fund debentures, with equal annual sinking fund payments to 1997 | **$ 62** | $ 75 |
| 7.00% Notes due 1999 | **175** | – |
| 7.50% Sinking fund debentures due 2006, issued at a discount (effective rate 7.55%) with annual sinking fund payments to 2005 | **2** | 158 |
| 7.50% Convertible subordinated debentures due 2012, convertible into common stock at $15.79 per share | **345** | 345 |
| 8.50% Sinking fund debentures due 2005 | **–** | 225 |
| 8.75% Debentures due 2022 | **125** | – |
| 9.35% Sinking fund debentures due 2009 | **–** | 180 |
| 9.35% Senior notes due 1992 | **–** | 150 |
| 9.75% Senior subordinated notes due 1994 | **–** | 350 |
| 15.00% Senior debentures due 2006, issued at a premium (effective rate 14.32%) | **12** | 12 |
| Variable-rate, medium-term notes due 1996 | **100** | 100 |
| Pollution control and other facility obligations | **245** | 240 |
| Obligations under capital leases | **24** | 27 |
| Other | **1** | 2 |
| **International Subsidiaries** | | |
| Obligations under capital leases | **71** | 62 |
| Other debt – various maturities and interest rates | **17** | 18 |
| | **1,179** | 1,944 |
| Less: bonds held for sinking fund | **32** | 108 |
| | **1,147** | 1,836 |
| Less: payments to be made within one year | **34** | 676 |
| | **$1,113** | $1,160 |

On April 15, 1992, UCC and UCC&P Inc. entered into a new credit agreement for $850 million. Commitments under the agreement are on a joint and several basis, and several options are available to borrow at various rates on a revolving basis. At Dec. 31, 1992, there were no outstanding borrowings under the credit agreement. The interest rate on credit agreement borrowings was 4.5 percent in 1992 (6.2 percent in 1991 and 8.0 percent in 1990).

The bank credit agreement and the indentures for debt contain various restrictive covenants. These covenants, among other things, restrict the ability of UCC or UCC&P Inc. to merge with another entity, incur or guarantee debt, create liens against assets, sell or transfer certain assets, pay dividends or make other distributions beyond certain limits with respect to UCC&P Inc.'s capital stock. The bank credit agreement also requires the Corporation to meet net worth and interest coverage covenants.

As a result of the spin-off of Praxair to shareholders on June 30, 1992, antidilution adjustments were required for the 7.5% convertible subordinated debentures of UCC&P Inc., reducing the conversion price from $35.50 per share to $15.79 per share and increasing the number of shares into which the debentures are convertible from 9.7 million to 21.8 million.

During 1992, UCC&P Inc. redeemed or repurchased approximately $1 billion of long-term debt, with interest rates ranging from 9.75 percent to 7.5 percent. Costs associated with early redemptions were not material.

On Aug. 6, 1992, UCC&P Inc. sold $125 million principal amount of 8.75 percent, 30-year debentures due Aug. 1, 2022, and $175 million principal amount of 7 percent notes due Aug. 1, 1999. The debentures and notes are guaranteed by UCC.

On Jan. 31, 1993, UCC&P Inc. redeemed all of its outstanding 15 percent senior debentures due 2006, at a price equal to 103 percent of the principal amount of $12 million.

This refinancing strategy enabled the Corporation to reduce ongoing interest expense and extend the average life of its long-term debt.

Pollution control and other facility obligations represent state, commonwealth and local governmental bond financing of pollution control and other facilities, and are treated for accounting and tax purposes as debt of UCC&P Inc. These tax-exempt obligations mature at various dates from 1993 through 2022, and have an average annual effective interest rate of 7.5 percent.

At Dec. 31, 1992, $73 million of consolidated assets were pledged as security for $84 million of subsidiaries' debt.

Payments due on long-term debt in the four years after 1993 are: 1994, $11 million; 1995, $18 million; 1996, $126 million; 1997, $21 million.

The Corporation used various types of hedging instruments to manage exposure to financial market risk caused by interest rate fluctuations. Such instruments included interest rate swaps, forward rate agreements, and foreign currency swaps. At Dec. 31, 1992, the net notional amount of interest rate swaps outstanding was $575 million, whereby the Corporation received payments based on a fixed rate U.S. Treasury security and made payments based on floating rate indices. The forward rate agreements used to hedge against a rise in floating rate indices, particularly the London Interbank Offered Rate (LIBOR), was $275 million. Currency rate swaps were not material. The fair value of the Corporation's borrowings (debt and related interest or currency rate swaps, including effects of counterparty creditworthiness) approximates the recorded value of the borrowings.

## 14. Convertible Preferred Stock

On Jan. 1, 1991, the Union Carbide Corporation Employee Stock Ownership Plan (ESOP) became an integral part of the Savings Program for employees. The Trust for the ESOP purchased 15.1 million shares of a new series of convertible preferred stock (ESOP Stock) from the Corporation for $325 million.

During the second quarter of 1992, the Corporation repurchased 7.5 million shares of unallocated ESOP stock from the ESOP's trustee for $26.875 per share or $202 million. This action preserves the expected 10-year life of the ESOP, which has fewer participating employees as a result of the spin-off of Praxair. The repurchased shares were retired at their liquidation value, and unearned employee compensation was reduced accordingly. Also in connection with the spin-off, approximately one million shares of the ESOP stock held by individuals who are now employees of Praxair were redeemed for Union Carbide Corporation common stock.

The terms of the ESOP stock provide that the ESOP conversion price, liquidation price, dividend and number of shares of ESOP stock be adjusted upon the distribution of Praxair stock to shareholders so that the interests of the ESOP shareholders are not diluted. As of the June 30, 1992, spin-off date, the conversion price, liquidation price and annual preferred dividend of the ESOP stock were adjusted from $21.50, $21.50 and $1.90, respectively, to $8.981, $8.981 and $0.794, respectively. After a special ESOP stock dividend of 10.5 million shares for antidilution purposes, the ESOP stock outstanding at Dec. 31, 1992, is convertible into a total of 16.9 million shares of the Corporation's common stock.

Substantially all full-time employees in the U.S. are eligible to participate in the ESOP through the Corporation's matching contribution of 50 percent on employee contributions up to prescribed limits. Record ownership of the ESOP Stock can be held only by the trustee for the ESOP. The cost of the ESOP is recognized as incurred and was $16 million for 1992 ($28 million in 1991). During 1992, approximately 1.1 million ESOP shares were credited to employees' accounts.

It is UCC's policy to redeem the ESOP preferred stock with cash. UCC has no present intention to redeem such stock other than as required in the usual course to satisfy provisions of the Plan.

## 15. UCC Stockholders' Equity

At Dec. 31, 1992, *Retained Earnings* included $110 million ($231 million at Dec. 31, 1991), representing the Corporation's share of undistributed earnings of 20 percent to 50 percent-owned companies accounted for by the equity method. Dividends received from companies carried at equity aggregated $64 million in 1992, $41 million in 1991 and $37 million in 1990. Certain consolidated domestic and international subsidiaries are restricted by borrowing arrangements, regulatory restraints or the laws of local governments as to their ability to transfer funds to the parent in the form of cash dividends, loans or advances. At Dec. 31, 1992, the amount of such restricted net assets was not material.

In July 1989, the Board of Directors adopted a shareholder rights plan and declared a dividend payable on Aug. 31, 1989, of one Right for each outstanding share of common stock. Each Right entitles its holder, under certain circumstances, to buy a share of common stock at a purchase price of $37.67 (subject to adjustment). This price reflects the adjustment required upon distribution of Praxair's stock to shareholders on June 30, 1992 (see Note 2).

The Rights may not be exercised until 10 days after a person or group acquires 20 percent or more of UCC's common stock, or announces a tender offer, that if consummated would result in 20 percent or more ownership of the common stock.

Separate Rights certificates will not be issued and the Rights will not be traded separately from the stock until then.

Should an acquirer become the beneficial owner of 20 percent of the common stock, and under certain additional circumstances, Union Carbide Corporation shareholders (other than the acquirer) would have the right to buy common stock in Union Carbide Corporation, or in the surviving enterprise if the Corporation is acquired, having a value equal to two times the purchase price of the Right then in effect.

The Rights will expire on Aug. 31, 1999, unless redeemed prior to that date. The redemption price is 1 cent per Right. The Corporation's independent directors may redeem the Rights by a majority vote during the 10-day period following public announcement that a person or group has acquired 20 percent of UCC's common stock.

## 16. Leases

Leases that meet the criteria for capitalization have been classified and accounted for as capital leases. For operating leases, primarily involving distribution equipment and facilities, the future minimum rental payments under leases with remaining noncancelable terms in excess of one year are:

| Year ending December 31, | Millions of dollars |
|---|---|
| 1993 | $ 92 |
| 1994 | 74 |
| 1995 | 187 |
| 1996 | 45 |
| 1997 | 47 |
| Subsequent to 1997 | 294 |
| Total minimum payments | 739 |
| Future sublease rentals | 118 |
| Net minimum rental commitments | $621 |

The present value of the net minimum rental commitments amounts to $430 million. Total lease and rental payments (net of sublease rental of $10 million, $9 million and $13 million in 1992, 1991 and 1990, respectively) were $92 million, $90 million and $83 million for 1992, 1991 and 1990, respectively. UCC&P Inc. is contingently required to pay certain domestic lease obligations assigned to Praxair, in the event of Praxair's default, totaling $23 million. If such a payment is required, UCC&P Inc. has a legal right to set off any such amounts paid against amounts it may owe to Praxair.

## 17. Retirement Programs

### Pension Benefits

The noncontributory defined benefit retirement program of Union Carbide Corporation ("U.S. Retirement Program") covers substantially all U.S. employees and certain employees in other countries. Pension benefits are based primarily on years of service and compensation levels prior to retirement.

Pension coverage for employees of the Corporation's non-U.S. consolidated subsidiaries is provided, to the extent deemed appropriate, through separate plans. Obligations under such plans are systematically provided for by depositing funds with trustees, under insurance policies, or by book reserves.

Worldwide Retirement Program net pension cost applicable to continuing operations amounted to $22 million in 1992, $28 million in 1991 and $41 million in 1990. For discontinued operations (see Note 2), net pension cost amounted to $8 million through June 30, 1992, $16 million in 1991 and $14 million in 1990.

The components of net pension cost for the U.S. Retirement Program and non-U.S. plans in 1992, 1991 and 1990 are as follows:

| Millions of dollars[a] | | **1992** | | 1991 | | 1990 |
|---|---|---|---|---|---|---|
| Service cost – benefits earned during the period | | **$ 61** | | $ 79 | | $ 92 |
| Interest cost on projected benefit obligation | | **$191** | | 204 | | 196 |
| Return on plan assets – Actual | **$(150)** | | $(508) | | $ 36 | |
| – Unrecognized return | **(64)** | **(214)** | 279 | (229) | (261) | (225) |
| Amortization of net gain | | **(8)** | | (10) | | (8) |
| Net pension cost | | **$ 30** | | $ 44 | | $ 55 |

a) Table includes net pension costs for Praxair through June 30, 1992.

The funded status of the U.S. Retirement Program and non-U.S. plans was as follows:

| Millions of dollars at December 31, | **1992** | 1991[a] |
|---|---|---|
| Actuarial present value of plan benefits: | | |
| Accumulated benefit obligation, including vested benefits of $1,934 million at December 31, 1992, and $2,072 million at December 31, 1991 | **$(2,064)** | $(2,262) |
| Projected benefit obligation | **$(2,348)** | $(2,672) |
| Fair value of plan assets, primarily invested in common stocks and fixed income securities | **$ 2,470** | $ 2,881 |
| Plan assets in excess of projected benefit obligation | **$ 122** | $ 209 |
| Unamortized net asset at transition | **(102)** | (137) |
| Unamortized prior service cost | **35** | 73 |
| Unrecognized gains – net | **(47)** | (133) |
| Prepaid pension cost | **$ 8** | $ 12 |

a) Includes pension obligation and plan assets for Praxair employees.

The actuarial assumptions used were as follows:

| | **1992** | 1991 |
|---|---|---|
| Discount rate for determining projected benefit obligation | **8.00%** | 8.00% |
| Rate of increase in compensation levels | **5.25%** | 5.25% |
| Expected long-term rate of return on plan assets | **8.75%** | 9.25% |

### Postretirement Benefits Other Than Pensions

The Corporation and certain of its consolidated subsidiaries provide health care and life insurance benefits for eligible retired employees and their eligible dependents. These benefits are provided through various insurance companies and health care providers.

FAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," was adopted in the fourth quarter of 1992, effective Jan. 1, 1992, for U.S. and international employees. The standard requires employers to account for retiree benefit obligations on an accrual basis rather than on a "pay-as-you-go" basis.

The cumulative effect of adopting FAS 106 as of Jan. 1, 1992, resulted in a charge of $360 million to 1992 earnings, net of $205 million of income taxes ($2.72 per share). The effects of the accounting change decreased 1992 earnings by $16 million ($0.12 per share).

The obligation was determined by application of the terms of health and life insurance plans, together with relevant actuarial assumptions and health-care cost trend rates projected at annual rates ranging from 15 percent in 1992 graded down to 6.5 percent for 2004 and after.

The effect of a one percent annual increase in the assumed health-care cost trend rates would increase the accumulated postretirement benefits obligation at Dec. 31, 1992, by $40 million and the aggregate of service and interest cost components of net periodic postretirement benefit costs by $5 million. Measurement of the accumulated postretirement benefit obligation was based on the same assumptions as used in the pension calculations referred to above.

The Corporation has funded postretirement benefits for certain retirees who retired prior to Dec. 31, 1988. The funds are invested primarily in common stocks and fixed income securities.

The following tables provide information on the status of the plans:

The funded status at December 31, 1992, was as follows:

| | (Dollars in millions) |
|---|---|
| Accumulated postretirement benefit obligations: | |
| Retirees | $336 |
| Fully eligible active plan participants | 116 |
| Other active plan participants | 123 |
| Accumulated postretirement benefit obligations | $575 |
| Fair value of plan assets | (31) |
| Accrued unfunded postretirement benefit obligations | $544 |

The accumulated postretirement benefit obligation for retirees is net of $152 million related to all retirees, which is reimbursed to the Corporation in part from Praxair and UCAR Carbon under benefit-sharing agreements.

The components of net periodic postretirement benefit cost for 1992 are as follows:

| | | (Dollars in millions) |
|---|---|---|
| Service cost-benefits earned during the period | | $11 |
| Interest cost on projected benefit obligation | | 42 |
| Return on assets | | |
| Actual | $(3) | |
| Unrecognized return | 1 | (2) |
| Net periodic postretirement benefit cost | | $51 |

Total expense applicable to continuing operations for 1992 was $51 million under FAS 106. Prior to 1992, the Company recognized expense in the year the benefits were provided ($29 million in 1991 and $28 million in 1990).

## 18. Incentive Plans

In 1988, stockholders approved the 1988 Union Carbide Long-Term Incentive Plan for key employees, which replaced the 1984 Union Carbide Stock Option Plan. The Plan provided for granting incentive and nonqualified stock options, stock appreciation rights (SARs), exercise payment rights (EPs), grants of stock and performance awards. Performance awards can be paid in common stock, other securities of the Corporation or in cash. The amount of any exercise payment may not exceed 60 percent of the amount by which the market price of the common stock on the date of exercise exceeds the option price. In June 1991, the Corporation canceled all existing SAR awards while leaving the holder with the underlying stock options. The accumulated accruals relating to SAR awards were credited to *Paid-In Capital.* Holders of options may be granted the right to receive payments of amounts equal to the regular cash dividends paid to holders of the Corporation's common stock during the period that the option is outstanding. The number of shares granted or subject to options may not exceed 15 million under the Plan. Option prices are equal to the closing price of the Corporation's common stock on the date of the grant as listed on the New York Stock Exchange composite transactions. Options generally become exercisable either one year or two years after such date. Options may not have a duration of more than 10 years.

No further awards can be made under Union Carbide's previous incentive plans. Some of the options granted under these plans are still outstanding, and have terms similar to nonqualified stock options granted under the 1988 plan.

For EPs granted, income is adjusted in each quarter to reflect the changes in the market price of the common stock.

Changes during 1992 in outstanding shares under option and EPs were as follows:

| | Shares under Option | | |
|---|---|---|---|
| 1992 | Total | With EPs Only | Options Only |
| Outstanding at January 1 | 11,800,230 | 24,133 | 11,776,097 |
| Granted during the year under the 1988 Union Carbide Long-Term Incentive Plan | 2,125,540 | 273 | 2,125,267 |
| Exercised during the year | (2,020,253) | (14,871) | (2,005,382) |
| Canceled or expired during the year | (80,431) | – | (80,431) |
| Outstanding at December 31 | 11,825,086 | 9,535 | 11,815,551 |

Options outstanding at Dec. 31, 1992, ranged in price from \$1.00 to \$12.231 per share, as adjusted for the distribution of Praxair stock in accordance with the terms of the plan. At Dec. 31, 1992, 6,560,645 options were exercisable within this price range. Options were exercised during 1992 at prices ranging from \$1.00 to \$11.368 per share.

## 19. Commitments and Contingencies

The Corporation has entered into three agreements (Plant I, Plant II and Terminal Storage) for the purchase of ethylene-related products and for the availability of terminal storage from facilities located in Canada with terms expiring in 2004, 2014 and 2014, respectively. The purchase prices for the output of Plant I and Plant II are determined on a cost-of-service basis. Total purchases under the Plant I agreement were $43 million, $46 million and $48 million in 1992, 1991 and 1990, respectively. Additionally, Union Carbide Corporation has agreed to fund its portion of any cash deficiency in the Plant I debt service cost. As of Dec. 31, 1992, that debt amounted to $41 million, and projected 1993 interest costs are $4 million. This debt is part of the fixed and determinable obligation identified below. Purchases under the Plant II agreement are expected to commence in 1994. Terminal Storage is for a 20-year period and is expected to commence in 1994. The minimum purchase price under this agreement will be based on a fixed charge, subject to escalation.

The Corporation has also entered into an agreement to purchase a portion of the output of a U.S. ethylene plant through the year 2000. The purchase price for the output will be based upon market prices subject to certain minimum price provisions. Initial purchases under this agreement were $48 million in 1992.

The Corporation has entered into a three-year agreement to provide for the availability of terminal storage at a domestic location. The minimum purchase price for this agreement will be based on a fixed charge. Purchases amounting to $1 million began in 1992.

The net present value of the fixed and determinable portion of obligations under these purchase commitments at Dec. 31, 1992 (at current exchange rates, where applicable) are presented in the following table.

| Millions of dollars | |
|---|---|
| 1993 | $ 42 |
| 1994 | 43 |
| 1995 | 79 |
| 1996 | 68 |
| 1997 | 59 |
| 1998 to expiration of contracts | 240 |
| Total | $531 |

The Corporation sold certain receivables with recourse to various banks for proceeds of $249 million in 1992 ($157 million in 1991). At Dec. 31, 1992, approximately $38 million remain due ($35 million in 1991). The fair value of the recourse provision at Dec. 31, 1992, approximates the carrying value.

The Corporation is subject to loss contingencies resulting from environmental laws and regulations, which include obligations to remove or mitigate the effects on the environment of the disposal or release of certain wastes and substances at various sites. The Corporation accrues environmental response costs for work at identified sites where an assessment has indicated that a loss is probable and can be reasonably estimated. As additional sites are assessed and costs can be reasonably estimated, future charges against income are likely. At Dec. 31, 1992, the Corporation's accruals for environmental remediation totaled $234 million ($208 million in 1991). Estimates of future costs of environmental protection are necessarily imprecise due to numerous uncertainties, including the impact of new laws and regulations, the availability and application of new and diverse technologies, the identification of new hazardous waste sites and the determination of the Corporation's liability in proportion to that of other parties. Management believes these costs are likely to be substantial and expects them to be incurred over an extended period of time.

At Dec. 31, 1992, the Corporation and its consolidated subsidiaries had additional contingent obligations of $142 million, principally related to guarantees of debt and environmental loss contingencies.

In February 1989, UCC&P Inc. and Union Carbide India Limited ("UCIL") paid $470 million to the Union of India in final settlement of all claims with respect to the Dec. 3, 1984, methyl isocyanate gas release at the UCIL plant in Bhopal, India. UCC&P Inc. is a 50.9 percent shareholder of UCIL. The Supreme Court of India discharged the previous undertaking of UCC&P Inc. in the District Court at Bhopal to maintain unencumbered assets having a fair market value of $3 billion. In December 1989, the Supreme Court of India upheld the Bhopal Act under the Indian Constitution. The Bhopal Act was the main basis on which the Union of India represented the victims. In October 1991, the Supreme Court of India: upheld the civil settlement of $470 million in its entirety; set aside that portion of the settlement that quashed the criminal prosecutions which were pending at the time of the settlement and that precluded any future criminal proceedings; required the Union of India to purchase, out of the settlement fund, a group medical insurance policy to cover 100,000 asymptomatic persons who may later develop symptoms; required the Union of India to make up any shortfall in the settlement fund; and requested UCC&P Inc. and UCIL to fund the capital and operating costs of a hospital in Bhopal for eight years, which the Court estimated would require "around Rs. 50 crores" (approximately $17 million), with the land to be provided free by the State of Madhya Pradesh. UCC&P Inc. and UCIL announced that together they would provide the Government of India with up to Rs. 50 crores for a hospital to be built in Bhopal by the Government.

The Corporation and UCC&P Inc. created the Bhopal Hospital Trust with the Rt. Honorable Sir Ian Percival, formerly Solicitor General for England and Wales, as Trustee, and UCC&P Inc. pledged its shares of UCIL to the Trust. The Trust may call upon the shares to make payment to the Government of up to Rs. 51 crores (approximately $18 million), less the amount to be paid by UCIL, for a hospital in Bhopal. The Reserve Bank of India approved the pledge of the shares to the Trust. In June 1992, the Government of India requested Rs. 98 to Rs. 106 crores (approximately $34 to $37 million) for the hospital.

In April and May 1992, the Magistrate in Bhopal ordered that: the shares of UCIL held by UCC&P Inc. are attached; the unremitted dividends from UCIL to UCC&P Inc. for the years from 1984 through 1991 after deducting taxes payable are attached (approximately Rs. 6 crores, or $2 million); and the Reserve Bank of India not grant permission for sale or transfer of the shares or payment of the dividends to UCC&P Inc. without approval of the Court. In July 1992, the Government Prosecutor requested the Magistrate to appoint a receiver to take charge of the property of UCC&P Inc. attached by the Magistrate. UCIL appealed to the High Court to set aside the attachment of the shares and unremitted dividends, and that appeal is pending. The High Court ordered on an interim basis that no receiver be appointed for the shares and dividends. In October 1992, a victim applied to the Magistrate in Bhopal to set aside the attachment so that the funding of a hospital in Bhopal for the victims by The Bhopal Hospital Trust may proceed.

In the opinion of counsel for the Corporation, under generally recognized legal principles, the criminal proceedings in India should not have adverse financial consequences for the Corporation outside of India. The assets that might be lost from the attachment in the criminal proceedings are primarily the shares of UCIL, carried at $26 million in the consolidated financial statements of the Corporation.

All the suits with respect to the gas release that were brought in the U.S. prior to the settlement have been dismissed, except two suits in a state court, one of which was reactivated after dismissal. At an appropriate time, the settlement will be placed before that court. In October 1990, two suits were filed in Texas State Courts with respect to the gas release seeking compensatory and punitive damages. The two suits were transferred to Federal Court and dismissed, and the dismissal has been upheld by the U.S. Court of Appeals for the Second Circuit.

In addition to the above, the Corporation and its consolidated subsidiaries are involved in a number of legal proceedings and claims with both private and governmental parties. These cover a wide range of matters including, but not limited to: product liability; Federal regulatory proceedings; health, safety and environmental matters; employment; patents; contracts and taxes. In some of these cases, the remedies that may be sought or damages claimed are substantial.

While it is impossible at this time to determine with certainty the ultimate outcome of any of the litigation referred to in this note, management believes that adequate provisions have been made for probable losses with respect thereto and that such ultimate outcome, after provisions therefor, will not have a material adverse effect on the consolidated financial position of the Corporation but could have a material effect on consolidated results of operations in a given quarter or year. Should any losses be sustained in connection with any of the matters referred to in this note, in excess of provisions therefor, they will be charged to income in the future.

Management believes that the resolution of loss contingencies in excess of accruals for probable losses will not have a material adverse effect on the consolidated financial position of the Corporation but could have a material adverse effect on consolidated results of operations in a given year.

## Management's Statement of Responsibility for Financial Statements

Union Carbide Corporation's financial statements are prepared by management, which is responsible for their fairness, integrity and objectivity. The accompanying financial statements have been prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are estimates and judgments. All historical financial information in this annual report is consistent with the accompanying financial statements.

The Corporation maintains accounting systems, including internal accounting controls monitored by a staff of internal auditors, that are designed to provide reasonable assurance of the reliability of financial records and the protection of assets. The concept of reasonable assurance is based on recognition that the cost of a system must not exceed the related benefits. The effectiveness of those systems depends primarily upon the careful selection of financial and other managers, clear delegation of authority and assignment of accountability, inculcation of high business ethics and conflict-of-interest standards, policies and procedures for coordinating the management of corporate resources and the leadership and commitment of top management.

The Corporation's financial statements are audited by KPMG Peat Marwick, independent certified public accountants, in accordance with generally accepted auditing standards. These standards provide for the auditors to consider the Corporation's internal control structure to the extent they deem necessary in order to issue their opinion on the financial statements.

The Audit Committee of the Board of Directors, which consists solely of nonemployee directors, is responsible for overseeing the functioning of the accounting system and related controls and the preparation of annual financial statements. The Audit Committee recommends to the Board of Directors the selection of the independent auditors, subject to the approval of shareholders. The Audit Committee periodically meets with the independent auditors, management and internal auditors to review and evaluate their accounting, auditing and financial reporting activities and responsibilities. The independent and internal auditors have full and free access to the Audit Committee and meet with the committee, with and without management present.

Robert D. Kennedy
Chairman and
Chief Executive Officer

John K. Wulff
Vice President, Controller and
Principal Accounting Officer

Danbury, Conn.
February 10, 1993

## Independent Auditors' Report

KPMG Peat Marwick

**To the Stockholders and Board of Directors of Union Carbide Corporation:**

We have audited the accompanying consolidated balance sheet of Union Carbide Corporation and subsidiaries as of Dec. 31, 1992 and 1991, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended Dec. 31, 1992. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Union Carbide Corporation and subsidiaries at Dec. 31, 1992 and 1991, and the results of their operations and their cash flows for each of the years in the three-year period ended Dec. 31, 1992, in conformity with generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 1992 the company adopted the provisions of Statement of Financial Accounting Standards (FAS) 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and FAS 109, "Accounting for Income Taxes."

KPMG Peat Marwick

Stamford, Conn.
February 10, 1993

## 1993 ANNUAL MEETING

The 1993 annual meeting of stockholders will be held on Wednesday, April 28, in the Grand Ballroom of the Danbury Hilton and Towers, 18 Old Ridgebury Road, Danbury, CT 06810, beginning at 10 a.m.

A notice of annual meeting and proxy statement and a proxy voting card are mailed to each stockholder in March, together with a copy of the current annual report.

## GENERAL OFFICES

The general offices of Union Carbide Corporation are located at 39 Old Ridgebury Road, Danbury, CT 06817-0001 (Tel. 203-794-2000).

Inquiries from the public about Union Carbide and its products and services should be directed to the Corporate Information Center, Union Carbide Corporation, Section N-0, 39 Old Ridgebury Road, Danbury, CT 06817-0001 (Tel. 203-794-5300).

## STOCK EXCHANGES

Union Carbide stock is traded primarily on the New York Stock Exchange (ticker symbol: UK). The stock is also listed on the Midwest and Pacific Stock Exchanges in the U.S., and overseas on the exchanges in Amsterdam, Basel, Brussels, Frankfurt, Geneva, Lausanne, London, Paris and Zurich.

## STOCK RECORDS AND TRANSFER

The Corporation acts as its own stock transfer agent through Shareholder Services, Union Carbide Corporation, Section G-1, 39 Old Ridgebury Road, Danbury, CT 06817-0001 (Tel. 203-794-3350).

Shareholder Services maintains stockholder records, transfers stock and can answer questions regarding stockholders' accounts, including dividend reinvestment accounts. Stockholders wishing to transfer stock to someone else or to change the name on a stock certificate should contact Shareholder Services for assistance. The Registrar is Chemical Bank of New York, N.Y.

## DIVIDEND REINVESTMENT

Stockholders of record may purchase shares directly through Union Carbide's Dividend Reinvestment and Stock Purchase Plan. Under the plan, shares may be purchased from UCC free of commissions and service charges.

A prospectus explaining the plan in detail may be obtained from Shareholder Services, Union Carbide Corporation, Section G-1, 39 Old Ridgebury Road, Danbury, CT 06817-0001 (Tel. 800-934-3350).

## STOCKHOLDER INQUIRIES

Inquiries about stockholder accounts and dividend reinvestment should be directed to Shareholder Services, Union Carbide Corporation, Section G-1, 39 Old Ridgebury Road, Danbury, CT 06817-0001.

Inquiries from investors and investment-related questions about Union Carbide should be directed to the Investor Relations Department, Union Carbide Corporation, Section D-4, 39 Old Ridgebury Road, Danbury, CT 06817-0001 (Tel. 203-794-6440).

## FORM 10-K AVAILABLE

A Form 10-K Report for the year ended Dec. 31, 1992, will be available in April 1993. A copy without exhibits may be obtained without charge on written request to the Secretary's Department, Union Carbide Corporation, Section E-4, 39 Old Ridgebury Road, Danbury, CT 06817-0001.

Union Carbide annually publishes a list of organizations receiving charitable, educational, cultural or similar grants of $5,000 or more. This list is available to any stockholder on written request to the Secretary's Department at the address above.

## RESPONSIBLE CARE PROGRESS REPORT

Health, safety and environmental progress at Union Carbide are covered in this report. Information includes performance data for U.S. and international locations, goals, and progress toward full implementation of RESPONSIBLE CARE management practices in the U.S. To obtain a copy, write to Public Affairs Department, Union Carbide Corporation, Section K-3, 39 Old Ridgebury Road, Danbury, CT 06817-0001.

## PRAXAIR BASIS ALLOCATION

The tax basis of UCC's and Praxair's common stock immediately after the distribution (including any fractional share distributed) was determined by allocating the basis of Union Carbide common stock held immediately before the distribution to the UCC and Praxair stocks held after the distribution in proportion to the fair market value of each on the date of the distribution.

To determine the fair market values of UCC's and Praxair's common stock on the date of distribution, UCC was advised that it would be reasonable for a shareholder to use the mean of the high and low selling prices on June 30, 1992 (as shown on the composite listing of combined exchanges). On this basis, the respective fair market values were $11.3125 for a share of UCC common stock on a "when issued" basis, and $15.875 for a share of Praxair common stock on a "when issued" basis.

As an illustration of the allocation, take a UCC shareholder who, immediately prior to the distribution, held 100 shares of UCC common with a basis of $20 each (or $2,000 in total). After the distribution, this shareholder would have allocated $832.20 of the total basis to UCC common stock (.4161 x $2,000), and $1,167.80 to Praxair common stock (.5839 x $2,000).

# Directors, Officers and Senior Management

## DIRECTORS

**John J. Creedon** (1,2,3,5)
Retired President and Chief Executive Officer
of Metropolitan Life Insurance Company

**C. Fred Fetterolf** (1,2,5,6)
Director of various corporations; Retired Director, President and Chief Operating Officer of Aluminum Company of America

**Joseph E. Geoghan** (3,7)
Vice President, General Counsel and Secretary
of Union Carbide Corporation

**James M. Hester** (1,3,6,7)
President, The Harry Frank Guggenheim Foundation

**Vernon E. Jordan, Jr.** (2,4,6,7)
Partner, Akin, Gump, Strauss, Hauer & Feld

**William H. Joyce** (3,4)
President and Chief Operating Officer
of Union Carbide Corporation

**Robert D. Kennedy** (3)
Chairman and Chief Executive Officer
of Union Carbide Corporation

**Ronald L. Kuehn, Jr.** (2,4,5)
Director, Chairman, President and Chief Executive Officer of Sonat, Inc.

**C. Peter McColough** (2,3,5,7)
Director and Retired Chairman of the Board
of Xerox Corporation

**Rozanne L. Ridgway** (1,6,7)
Co-Chair, Atlantic Council of the United States

**William S. Sneath** (3,4,5,6)
Director of various corporations; Retired Chairman and Chief Executive Officer
of Union Carbide Corporation

**Russell E. Train** (1,5,6,7)
Chairman of World Wildlife Fund and
The Conservation Foundation

In accordance with the Board's retirement policy, Mr. Train, who has served on the Board with distinction for more than 15 years, will not stand for reelection.

Dr. Alice M. Rivlin, who served on the Board for nearly five years, resigned effective Jan. 20, 1993, to take up her duties as Deputy Director of the Office of Management and Budget in the Clinton Administration.

NOTES

1 Member of Audit Committee
(Chairman: John J. Creedon)
2 Member of Compensation & Management Development Committee
(Chairman: Ronald L. Kuehn, Jr.)
3 Member of Executive Committee
(Chairman: Robert D. Kennedy)
4 Member of Finance & Pension Committee
(Chairman: William S. Sneath)
5 Member of Health, Safety & Environmental Affairs Committee
(Chairman: Russell E. Train)
6 Member of Nominating Committee
(Chairman: Vernon E. Jordan, Jr.)
7 Member of Public Policy Committee
(Chairman: James M. Hester)

## OFFICERS AND SENIOR MANAGEMENT

### Union Carbide Corporation

**Robert D. Kennedy**
Chairman of the Board and
Chief Executive Officer

**William H. Joyce**
President and Chief Operating Officer

**Joseph S. Byck**
Vice-President, Strategic Planning
and Public Affairs

**Joseph E. Geoghan**
Vice-President, General Counsel
and Secretary

**Malcolm A. Kessinger**
Vice-President, Human Resources

**Gilbert E. Playford**
Vice-President, Treasurer
and Principal Financial Officer

**O. Jules Romary**
Vice-President, Investor Relations

**Ronald Van Mynen**
Vice-President,
Health, Safety & Environment

**John K. Wulff**
Vice-President, Controller and
Principal Accounting Officer

**Frederick J. Costello**
President, Solvents and Coatings Materials Division,
Union Carbide Chemicals and Plastics Company Inc.

**Lee P. McMaster**
President, Industrial Chemicals Division,
Union Carbide Chemicals and Plastics Company Inc.

**Joseph C. Soviero**
President, Specialty Chemicals Division,
Union Carbide Chemicals and Plastics Company Inc.

**Roger B. Staub**
President, Polyolefins Division,
Union Carbide Chemicals and Plastics Company Inc.

**Philip T. Wright**
Group Vice-President,
Union Carbide Chemicals and Plastics Company Inc.

Union Carbide Corporation
39 Old Ridgebury Road
Danbury, CT 06817-0001

F-10732

Wayne
mine file ??

UTAH DEPARTMENT OF NATURAL RESOURCES

**RE: Utah Board of Oil, Gas and Mining and Union Carbide Corp. and its wholly-owned subsidiary Umetco Mineral Corporation Mined-Lands Reclamation Contracts**

File - Bond File under
M/037/026